



YEAR UP, INC. AND SUBSIDIARY

**CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

YEAR UP, INC. AND SUBSIDIARY

Contents
December 31, 2021 and 2020

	<u>Pages</u>
Independent Auditor's Report	1 - 1A
Consolidating Financial Statements:	
Consolidating Statements of Financial Position	2 - 3
Consolidating Statements of Activities	4 - 5
Consolidating Statements of Changes in Net Assets and Stockholders' Equity (Deficit)	6
Consolidating Statements of Cash Flows	7 - 8
Consolidating Statements of Functional Expenses	9 - 10
Notes to Consolidating Financial Statements	11 - 26



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpcpa.com

Independent Auditor's Report

To the Board of Directors of
Year Up, Inc. and Subsidiary:

Opinion

We have audited the consolidating financial statements of Year Up, Inc. (a Massachusetts corporation, not for profit) and its Subsidiary (collectively, the Entity), which comprise the consolidating statements of financial position as of December 31, 2021 and 2020, and the related consolidating statements of activities, changes in net assets and stockholders' equity (deficit), cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

In our opinion, the accompanying consolidating financial statements present fairly, in all material respects, the consolidating financial position of Year Up, Inc. and its Subsidiary as of December 31, 2021 and 2020, and the changes in their net assets and stockholder's equity (deficit) and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity 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.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidating Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidating financial statements as a whole 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 GAAS 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 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 consolidating financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidating 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 consolidating 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 Entity'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 consolidating financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity'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.

AAFCPAs, Inc.

Westborough, Massachusetts
March 15, 2022

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position

December 31, 2021

(With Summarized Comparative Totals as of December 31, 2020)

	2021				2020
	Year Up, Inc.	YUPRO	Eliminations	Total	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ 53,710,194	\$ 5,612,854	\$ -	\$ 59,323,048	\$ 53,684,696
Investments	36,570,542	-	-	36,570,542	14,725,837
Current portion of grants and pledges receivable, net	26,553,815	-	-	26,553,815	14,781,436
Internship receivable	8,820,793	3,083,690	(240,474)	11,664,009	10,535,691
Prepaid expenses and other	2,634,317	49,057	(189,346)	2,494,028	2,305,106
Total current assets	128,289,661	8,745,601	(429,820)	136,605,442	96,032,766
Grants and Pledges Receivable, net of current portion	36,105,445	-	-	36,105,445	20,510,130
Cash and cash equivalents - Endowment	4,300,000	-	-	4,300,000	-
Investment in YUPRO	2,254,498	-	(2,254,498)	-	-
Property and Equipment, net	16,246,952	104,602	-	16,351,554	16,943,952
Total assets	\$ 187,196,556	\$ 8,850,203	\$ (2,684,318)	\$ 193,362,441	\$ 133,486,848
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 4,229,402	\$ 2,913,161	\$ (429,820)	\$ 6,712,743	\$ 3,785,233
Accrued payroll and related expenses	7,189,898	206,000	-	7,395,898	7,248,259
Deferred revenue	3,075,184	1,509,833	-	4,585,017	3,190,384
Current portion of deferred rent	1,482,727	-	-	1,482,727	1,578,785
Total current liabilities	15,977,211	4,628,994	(429,820)	20,176,385	15,802,661
Deferred Rent, net of current portion	8,805,575	-	-	8,805,575	7,918,819
Mandatorily Redeemable Preferred Stock, net	-	1,966,711	-	1,966,711	-
Total liabilities	24,782,786	6,595,705	(429,820)	30,948,671	23,721,480
Net Assets:					
Without donor restrictions	79,179,643	-	-	79,179,643	63,878,085
With donor restrictions:					
Purpose and time	78,934,127	-	-	78,934,127	45,949,029
Endowment	4,300,000	-	-	4,300,000	-
Total with donor restrictions	83,234,127	-	-	83,234,127	45,949,029
Total net assets	162,413,770	-	-	162,413,770	109,827,114
Stockholder's Equity (Deficit):					
Paid-in capital:					
Common Stock, \$0.001 par, 100,000 shares authorized and 48,000 issued and outstanding	-	48	(48)	-	-
Paid-in capital in excess of par - common	-	479,952	(479,952)	-	-
Total paid-in capital	-	480,000	(480,000)	-	-
Retained earnings (accumulated deficit)	-	1,774,498	(1,774,498)	-	(61,746)
Total stockholder's equity (deficit)	-	2,254,498	(2,254,498)	-	(61,746)
Total net assets and stockholder's equity	162,413,770	2,254,498	(2,254,498)	162,413,770	109,765,368
Total liabilities and net assets and stockholder's equity	\$ 187,196,556	\$ 8,850,203	\$ (2,684,318)	\$ 193,362,441	\$ 133,486,848

YEAR UP, INC. AND SUBSIDIARY

 Consolidating Statement of Financial Position
 December 31, 2020

	Year Up, Inc.	YUPRO	Eliminations	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 52,143,171	\$ 1,541,525	\$ -	\$ 53,684,696
Investments	14,725,837	-	-	14,725,837
Current portion of grants and pledges receivable, net	14,781,436	-	-	14,781,436
Internship receivable	9,593,616	1,077,812	(135,737)	10,535,691
Prepaid expenses and other	2,346,848	24,530	(66,272)	2,305,106
Total current assets	<u>93,590,908</u>	<u>2,643,867</u>	<u>(202,009)</u>	<u>96,032,766</u>
Grants and Pledges Receivable, net of current portion	20,510,130	-	-	20,510,130
Investment in YUPRO	480,000	-	(480,000)	-
Property and Equipment, net	<u>16,926,680</u>	<u>17,272</u>	<u>-</u>	<u>16,943,952</u>
Total assets	<u>\$ 131,507,718</u>	<u>\$ 2,661,139</u>	<u>\$ (682,009)</u>	<u>\$ 133,486,848</u>
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,241,577	\$ 1,745,665	\$ (202,009)	\$ 3,785,233
Accrued payroll and related expenses	7,248,259	-	-	7,248,259
Deferred revenue	2,693,164	497,220	-	3,190,384
Current portion of deferred rent	<u>1,578,785</u>	<u>-</u>	<u>-</u>	<u>1,578,785</u>
Total current liabilities	<u>13,761,785</u>	<u>2,242,885</u>	<u>(202,009)</u>	<u>15,802,661</u>
Deferred Rent, net of current portion	<u>7,918,819</u>	<u>-</u>	<u>-</u>	<u>7,918,819</u>
Total liabilities	<u>21,680,604</u>	<u>2,242,885</u>	<u>(202,009)</u>	<u>23,721,480</u>
Net Assets:				
Without donor restrictions	63,878,085	-	-	63,878,085
With donor restrictions - Purpose and time	<u>45,949,029</u>	<u>-</u>	<u>-</u>	<u>45,949,029</u>
Total net assets	<u>109,827,114</u>	<u>-</u>	<u>-</u>	<u>109,827,114</u>
Stockholder's Equity (Deficit):				
Paid-in capital:				
Common Stock, \$0.001, 100,000 shares authorized and 48,000 issued and outstanding	-	48	(48)	-
Paid-in capital in excess of par - common	<u>-</u>	<u>479,952</u>	<u>(479,952)</u>	<u>-</u>
Total paid-in capital	<u>-</u>	<u>480,000</u>	<u>(480,000)</u>	<u>-</u>
Accumulated deficit	<u>-</u>	<u>(61,746)</u>	<u>-</u>	<u>(61,746)</u>
Total stockholder's equity (deficit)	<u>-</u>	<u>418,254</u>	<u>(480,000)</u>	<u>(61,746)</u>
Total net assets and stockholder's equity	<u>109,827,114</u>	<u>418,254</u>	<u>(480,000)</u>	<u>109,765,368</u>
Total liabilities and net assets and stockholder's equity	<u>\$ 131,507,718</u>	<u>\$ 2,661,139</u>	<u>\$ (682,009)</u>	<u>\$ 133,486,848</u>

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Activities

For the Year Ended December 31, 2021

(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	2021					2020	
	Year Up, Inc.			YUPRO	Eliminations	Total	Total
	Without Donor Restrictions	With Donor Restrictions	Total				
Operating Revenues and Sales:							
Program service fees	\$ 75,624,416	\$ -	\$ 75,624,416	\$ -	\$ -	\$ 75,624,416	\$ 87,568,731
Contributions and Grants	45,799,374	61,358,925	107,158,299	-	-	107,158,299	78,001,391
Inkind goods and services	2,313,219	-	2,313,219	-	-	2,313,219	6,616,424
Other revenue	2,208,560	-	2,208,560	361,347	(189,346)	2,380,561	1,552,522
Net assets released from restrictions	28,373,827	(28,373,827)	-	-	-	-	-
Total operating revenues	154,319,396	32,985,098	187,304,494	361,347	(189,346)	187,476,495	173,739,068
Sales							
Sales	-	-	-	23,666,091	(617,383)	23,048,708	9,834,378
Less - cost of sales	-	-	-	17,990,145	-	17,990,145	7,988,885
Net sales	-	-	-	5,675,946	(617,383)	5,058,563	1,845,493
Total operating revenues and sales	154,319,396	32,985,098	187,304,494	6,037,293	(806,729)	192,535,058	175,584,561
Operating Expenses:							
Program services							
Direct Service	109,190,763	-	109,190,763	2,373,304	(617,383)	110,946,684	126,394,767
Alumni	1,664,389	-	1,664,389	-	-	1,664,389	3,299,494
Grads of Life	4,111,555	-	4,111,555	-	-	4,111,555	5,517,836
Total program services	114,966,707	-	114,966,707	2,373,304	(617,383)	116,722,628	135,212,097
General and administrative	16,795,318	-	16,795,318	1,827,745	(189,346)	18,433,717	18,130,705
Fundraising	9,030,311	-	9,030,311	-	-	9,030,311	8,735,428
Total operating expenses	140,792,336	-	140,792,336	4,201,049	(806,729)	144,186,656	162,078,230
Changes in net assets and stockholder's equity from operations	13,527,060	32,985,098	46,512,158	1,836,244	-	48,348,402	13,506,331
Non-operating Revenues:							
Contributions - Endowment	-	4,300,000	4,300,000	-	-	4,300,000	-
Equity in earnings of subsidiary	1,774,498	-	1,774,498	-	(1,774,498)	-	-
Total non-operating revenues	1,774,498	4,300,000	6,074,498	-	(1,774,498)	4,300,000	-
Changes in net assets and stockholder's equity	\$ 15,301,558	\$ 37,285,098	\$ 52,586,656	\$ 1,836,244	\$ (1,774,498)	\$ 52,648,402	\$ 13,506,331

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Activities
For the Year Ended December 31, 2020

	Year Up, Inc.		Total	YUPRO	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions				
Operating Revenues and Sales:						
Program service fees	\$ 87,568,731	\$ -	\$ 87,568,731	\$ -	\$ -	\$ 87,568,731
Contributions and Grants	44,957,591	33,043,800	78,001,391	-	-	78,001,391
Inkind goods and services	6,616,424	-	6,616,424	-	-	6,616,424
Other revenue	1,618,794	-	1,618,794	-	(66,272)	1,552,522
Net assets released from restrictions	37,399,654	(37,399,654)	-	-	-	-
Total operating revenues	<u>178,161,194</u>	<u>(4,355,854)</u>	<u>173,805,340</u>	<u>-</u>	<u>(66,272)</u>	<u>173,739,068</u>
Sales						
Sales	-	-	-	10,328,688	(494,310)	9,834,378
Less- cost of sales	-	-	-	7,988,885	-	7,988,885
Net sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,339,803</u>	<u>(494,310)</u>	<u>1,845,493</u>
Total operating revenues and sales	<u>178,161,194</u>	<u>(4,355,854)</u>	<u>173,805,340</u>	<u>2,339,803</u>	<u>(560,582)</u>	<u>175,584,561</u>
Operating Expenses:						
Program services						
Direct Service	125,250,102	-	125,250,102	1,705,247	(560,582)	126,394,767
Alumni	3,299,494	-	3,299,494	-	-	3,299,494
Grads of Life	5,517,836	-	5,517,836	-	-	5,517,836
Total program services	<u>134,067,432</u>	<u>-</u>	<u>134,067,432</u>	<u>1,705,247</u>	<u>(560,582)</u>	<u>135,212,097</u>
General and administrative	18,130,705	-	18,130,705	-	-	18,130,705
Fundraising	8,735,428	-	8,735,428	-	-	8,735,428
Total operating expenses	<u>160,933,565</u>	<u>-</u>	<u>160,933,565</u>	<u>1,705,247</u>	<u>(560,582)</u>	<u>162,078,230</u>
Changes in net assets and stockholder's equity from operations	<u>\$ 17,227,629</u>	<u>\$ (4,355,854)</u>	<u>\$ 12,871,775</u>	<u>\$ 634,556</u>	<u>\$ -</u>	<u>\$ 13,506,331</u>

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statements of Changes in Net Assets and Stockholders' Equity (Deficit)
For the Years Ended December 31, 2021 and 2020

	Year Up, Inc.			YUPRO				
	Net Assets			Stockholders' Equity (Deficit)				
	Without Donor Restrictions	With Donor Restrictions	Total	Common Stock	Retained Earnings (Accumulated Deficit)	Total	Eliminations	Total
Net Assets and Stockholders' Equity , December 31, 2019	\$ 46,650,456	\$ 50,304,883	\$ 96,955,339	\$ 480,000	\$ (696,302)	\$ (216,302)	\$ (480,000)	\$ 96,259,037
Changes in net assets and stockholders' equity	17,227,629	(4,355,854)	12,871,775	-	634,556	634,556	-	13,506,331
Net Assets and Stockholders' Equity , December 31, 2020	63,878,085	45,949,029	109,827,114	480,000	(61,746)	418,254	(480,000)	109,765,368
Changes in net assets and stockholders' equity	15,301,558	37,285,098	52,586,656	-	1,836,244	1,836,244	(1,774,498)	52,648,402
Net Assets and Stockholders' Equity , December 31, 2021	<u>\$ 79,179,643</u>	<u>\$ 83,234,127</u>	<u>\$ 162,413,770</u>	<u>\$ 480,000</u>	<u>\$ 1,774,498</u>	<u>\$ 2,254,498</u>	<u>\$ (2,254,498)</u>	<u>\$ 162,413,770</u>

YEAR UP, INC. AND SUBSIDIARY

 Consolidating Statement of Cash Flows
 For the Year Ended December 31, 2021

	<u>Year Up, Inc.</u>	<u>YUPRO</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Changes in net assets and stockholder's equity	\$ 52,586,656	\$ 1,836,244	\$ 54,422,900
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Equity in earnings of subsidiary	(1,774,498)	-	(1,774,498)
Depreciation	5,116,888	48,635	5,165,523
Bad debt	757,399	144,458	901,857
Gain on investments	(708,877)	-	(708,877)
Loss on disposal of property	276,619	-	276,619
changes in pledge discount	99,018	-	99,018
Changes in operating assets and liabilities:			
Pledges and grants receivables	(27,466,711)	-	(27,466,711)
Internship receivable, net	15,424	(1,811,340)	(1,795,916)
Prepaid expenses and other	(287,469)	(363,525)	(650,994)
Accounts payable and accrued expenses	1,603,540	910,105	2,513,645
Federal and state taxes payable	-	463,392	463,392
Deferred revenue	382,020	1,012,613	1,394,633
Deferred rent	1,124,862	-	1,124,862
Net cash provided by operating activities	<u>31,724,871</u>	<u>2,240,582</u>	<u>33,965,453</u>
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(4,722,020)	(135,964)	(4,857,984)
Purchases of investments	(32,403,144)	-	(32,403,144)
Sales of investments	11,267,316	-	11,267,316
Net cash used in investing activities	<u>(25,857,848)</u>	<u>(135,964)</u>	<u>(25,993,812)</u>
Cash Flows from Financing Activities:			
Proceeds from issuance of preferred stock	-	2,000,000	2,000,000
Stock issuance costs	-	(33,289)	(33,289)
Net cash provided by financing activities	<u>-</u>	<u>1,966,711</u>	<u>1,966,711</u>
Net Change in Cash and Cash Equivalents	5,867,023	4,071,329	9,938,352
Cash and Cash Equivalents:			
Beginning of year	<u>52,143,171</u>	<u>1,541,525</u>	<u>53,684,696</u>
End of year	<u>\$ 58,010,194</u>	<u>\$ 5,612,854</u>	<u>\$ 63,623,048</u>
Reconciliation of Cash and Cash Equivalents Reported Within the Consolidating Statement of Financial Position:			
Cash and cash equivalents	\$ 53,710,194	\$ 5,612,854	\$ 59,323,048
Cash and cash equivalents - Endowment	<u>4,300,000</u>	<u>-</u>	<u>4,300,000</u>
Total cash and cash equivalents shown in the consolidating statement of cash flows	<u>\$ 58,010,194</u>	<u>\$ 5,612,854</u>	<u>\$ 63,623,048</u>

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>Year Up, Inc.</u>	<u>YUPRO</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Changes in net assets and stockholder's equity	\$ 12,871,775	\$ 634,556	\$ 13,506,331
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Depreciation	5,234,688	6,504	5,241,192
Bad debt	855,525	-	855,525
Gain on investments	(1,087,053)	-	(1,087,053)
Loss on disposal of property	401,365	-	401,365
Changes in pledges discount	44,295	-	44,295
Changes in operating assets and liabilities:			
Pledges and grants receivables	9,437,897	-	9,437,897
Internship receivable, net	1,035,668	(361,003)	674,665
Prepaid expenses and other	(384,939)	(11,709)	(396,648)
Accounts payable and accrued expenses	(3,178,761)	471,787	(2,706,974)
Federal and state taxes payable	-	163,642	163,642
Deferred revenue	318,511	497,220	815,731
Deferred rent	(1,616,653)	-	(1,616,653)
Net cash provided by operating activities	<u>23,932,318</u>	<u>1,400,997</u>	<u>25,333,315</u>
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(3,922,158)	(11,098)	(3,933,256)
Purchases of investments	(6,490,265)	-	(6,490,265)
Sales of investments	5,680,056	-	5,680,056
Net cash used in investing activities	<u>(4,732,367)</u>	<u>(11,098)</u>	<u>(4,743,465)</u>
Cash Flows from Financing Activities:			
Proceeds from line of credit	10,000,000	-	10,000,000
Payment of line of credit	(10,000,000)	-	(10,000,000)
Payments of notes payable	-	(1,000,000)	(1,000,000)
Net cash used in financing activities	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net Change in Cash and Cash Equivalents	19,199,951	389,899	19,589,850
Cash and Cash Equivalents:			
Beginning of year	<u>32,943,220</u>	<u>1,151,626</u>	<u>34,094,846</u>
End of year	<u>\$ 52,143,171</u>	<u>\$ 1,541,525</u>	<u>\$ 53,684,696</u>
Supplemental Disclosures:			
Cash paid for interest	<u>\$ 75,191</u>	<u>\$ 36,361</u>	<u>\$ 111,552</u>

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Functional Expenses

For the Year ending December 31, 2021

(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	2021									2020	
	Year Up, Inc.									Total	
	Program Services				General & Administrative	Fundraising	Total	YUPRO	Eliminations	Total	
	Direct Service	Alumni	Grads of Life	Total Program							
Payroll and Related:											
Salaries	\$ 51,429,412	\$ 883,908	\$ 2,591,616	\$ 54,904,936	\$ 8,216,105	\$ 6,136,829	\$ 69,257,870	\$ 1,395,332	\$ -	\$ 70,653,202	\$ 75,144,304
Fringe benefits and taxes	17,262,686	272,632	716,646	18,251,964	2,430,503	1,682,995	22,365,462	667,966	-	23,033,428	22,998,247
Contractors wages, benefits and taxes	-	-	-	-	-	-	-	17,990,145	-	17,990,145	7,988,885
Total compensation and related	68,692,098	1,156,540	3,308,262	73,156,900	10,646,608	7,819,824	91,623,332	20,053,443	-	111,676,775	106,131,436
Non-Compensation Operating Expenses											
Student related direct costs	19,951,788	62,271	2,400	20,016,459	-	-	20,016,459	-	(563,469)	19,452,990	29,369,431
Technology and Telecommunications	6,398,785	345,388	191,955	6,936,128	759,968	369,075	8,065,171	138,554	-	8,203,725	10,084,812
Occupancy	4,869,909	766	1,635	4,872,310	2,236,717	4,306	7,113,333	-	-	7,113,333	7,248,779
Depreciation	4,029,897	37,250	79,581	4,146,728	760,626	209,534	5,116,888	48,635	-	5,165,523	5,241,192
Consultants and professional services	1,461,196	23,043	450,585	1,934,824	1,100,500	211,657	3,246,981	511,402	(53,914)	3,704,469	4,563,377
Other expenses	1,127,869	15,093	37,584	1,180,546	1,227,457	170,705	2,578,708	1,258,252	(189,346)	3,647,614	3,924,240
Advertising and promotion	2,389,983	8,384	8,140	2,406,507	1,145	58,544	2,466,196	137,270	-	2,603,466	1,963,510
Travel, lodging and meals	199,514	14,318	30,992	244,824	48,430	51,470	344,724	43,638	-	388,362	1,088,880
Special events	69,724	1,336	421	71,481	13,867	135,196	220,544	-	-	220,544	451,458
Total non-compensation operating expenses	40,498,665	507,849	803,293	41,809,807	6,148,710	1,210,487	49,169,004	2,137,751	(806,729)	50,500,026	63,935,679
Total operating expenses	109,190,763	1,664,389	4,111,555	114,966,707	16,795,318	9,030,311	140,792,336	22,191,194	(806,729)	162,176,801	170,067,115
Cost of sales	-	-	-	-	-	-	-	(17,990,145)	-	(17,990,145)	(7,988,885)
Total operating expenses net of cost of sales	\$ 109,190,763	\$ 1,664,389	\$ 4,111,555	\$ 114,966,707	\$ 16,795,318	\$ 9,030,311	\$ 140,792,336	\$ 4,201,049	\$ (806,729)	\$ 144,186,656	\$ 162,078,230

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Functional Expenses
For the Year ending December 31, 2020

	Year Up, Inc.									
	Program Services				General & Administrative	Fundraising	Total	YUPRO	Eliminations	Total
	Direct Service	Alumni	Grads of Life	Total Program						
Payroll and Related:										
Salaries	\$ 55,417,306	\$ 813,030	\$ 3,480,054	\$ 59,710,390	\$ 8,388,244	\$ 5,989,049	\$ 74,087,683	\$ 1,056,621	\$ -	\$ 75,144,304
Fringe benefits and taxes	17,986,344	247,853	808,645	19,042,842	2,175,011	1,644,858	22,862,711	135,536	-	22,998,247
Contractors wages, benefits and taxes	-	-	-	-	-	-	-	7,988,885	-	7,988,885
Total compensation and related	<u>73,403,650</u>	<u>1,060,883</u>	<u>4,288,699</u>	<u>78,753,232</u>	<u>10,563,255</u>	<u>7,633,907</u>	<u>96,950,394</u>	<u>9,181,042</u>	<u>-</u>	<u>106,131,436</u>
Non-Compensation Operating Expenses										
Student related direct costs	29,270,994	51,487	46,950	29,369,431	-	-	29,369,431	-	-	29,369,431
Technology and Telecommunications	6,742,802	2,059,819	243,803	9,046,424	771,345	233,059	10,050,828	33,984	-	10,084,812
Occupancy	5,205,265	632	1,906	5,207,803	2,038,014	2,962	7,248,779	-	-	7,248,779
Depreciation	3,911,307	35,265	110,946	4,057,518	969,915	207,255	5,234,688	6,504	-	5,241,192
Consultants and professional services	2,175,402	39,602	732,946	2,947,950	1,742,547	265,881	4,956,378	101,309	(494,310)	4,563,377
Other expenses	1,497,852	20,035	33,009	1,550,896	1,851,683	240,753	3,643,332	347,180	(66,272)	3,924,240
Advertising and promotion	1,899,232	-	5,978	1,905,210	30,171	14,501	1,949,882	13,628	-	1,963,510
Travel, lodging and meals	776,652	21,441	52,753	850,846	144,871	82,678	1,078,395	10,485	-	1,088,880
Special events	366,946	10,330	846	378,122	18,904	54,432	451,458	-	-	451,458
Total non-compensation operating expenses	<u>51,846,452</u>	<u>2,238,611</u>	<u>1,229,137</u>	<u>55,314,200</u>	<u>7,567,450</u>	<u>1,101,521</u>	<u>63,983,171</u>	<u>513,090</u>	<u>(560,582)</u>	<u>63,935,679</u>
Total operating expenses	<u>125,250,102</u>	<u>3,299,494</u>	<u>5,517,836</u>	<u>134,067,432</u>	<u>18,130,705</u>	<u>8,735,428</u>	<u>160,933,565</u>	<u>9,694,132</u>	<u>(560,582)</u>	<u>170,067,115</u>
Cost of sales	-	-	-	-	-	-	-	(7,988,885)	-	(7,988,885)
Total operating expenses net of cost of sales	<u>\$ 125,250,102</u>	<u>\$ 3,299,494</u>	<u>\$ 5,517,836</u>	<u>\$ 134,067,432</u>	<u>\$ 18,130,705</u>	<u>\$ 8,735,428</u>	<u>\$ 160,933,565</u>	<u>\$ 1,705,247</u>	<u>\$ (560,582)</u>	<u>\$ 162,078,230</u>

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE A - OPERATIONS

Nature of Business

Year Up, Inc.'s (Year Up) mission is to close the opportunity divide by providing young adults with the skills, experience and support that will empower them to reach their potential through professional careers and higher education. The Opportunity Divide: Millions of young adults in the United States face social and economic injustice. They have talent and motivation but lack access to higher education and careers that provide a living wage. At the same time, U.S. businesses seek more and better trained talent to compete on the global stage, but there are not enough skilled workers to meet that demand.

Year Up achieves this mission through a high support, high expectations model that combines marketable job skills, stipends, internships, college credit, and several levels of support to place these young adults on a viable path to economic self-sufficiency.

Year Up was incorporated on October 11, 2000, and has launched thirty-two fully operational programs across the following sixteen states: Massachusetts, Rhode Island, New York, District of Columbia, California, Georgia, Illinois, Washington State, Florida, Pennsylvania, Arizona, Virginia, Texas, Delaware, North Carolina, and New Jersey.

Year Up Professional Resource, PBC (YUPRO) is a wholly-owned subsidiary of Year Up, and a public benefit corporation organized under Subchapter XV of Chapter 1 of Title 8 of the General Corporate Law of the State of Delaware. YUPRO was incorporated on March 16, 2014, and its mission is to support the career development of low-income young adults who have successfully participated in post-secondary training programs through job placement, recruiting and further skills training. Beginning 2020, YUPRO operates out of the state of Georgia.

Nature of Advocacy Work

Year Up has engaged in a set of influence strategies targeting three key barriers that limit options in the talent marketplace for Opportunity Youth: shifting perceptions of young adults from social liabilities to economic assets, shifting employer practices to broaden talent sourcing and hiring, and shifting public policies to support enterprising career pathways. The goal of this work is to provide Opportunity Youth a pathway to the education and training needed to become the source of skilled talent employers seek.

Year Up is also investing in the national alumni relations team to build engagement opportunities for alumni, provide targeted and centralized support services, and act as the organizational liaison to the National Alumni Association.

Since graduating our first cohort of twenty young adults in 2002, Year Up has grown rapidly. We have over 24,000 alumni as of February 2022. Our alumni are leaders in their families, workplaces, and communities across the country. They are prime examples of the Opportunity Talent that exists within all our nation and are Year Up's largest stakeholder group. In 2014, a cross-site group of Year Up alumni developed the alumni strategy, the Alumni ACT: **A**dvance in Careers and Education, **C**ontribute to Year Up's Success; and **T**ake Action in the Opportunity Movement. This strategy guides our alumni work and programming.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE A - OPERATIONS (Continued)

Nature of Advocacy Work (Continued)

The Alumni Strategy aligns with Year Up's core mission in several important ways:

- Alumni are Year Up's **largest stakeholder group**, with over 24,000 members.
- Alumni are **significant resources** of support for current and future program participants.
- Alumni are key leverage points for **positively influencing the perceptions, policies and practices** that currently lead to unequal opportunities for Opportunity Youth.
- Alumni are **proof** of the long-term success of our program.

Grads of Life is a national initiative of Year Up founded to support employers' actions to close the Opportunity Divide in the United States. Year Up believes the private sector can drive systemic and structural change in America through its most powerful tool: meaningful job creation. Grads of Life works to build and power a movement of employers who are committed to dramatically expanding equity through employment and shifting the paradigm in Corporate America.

Grads of Life has deep subject matter expertise on the evidence-based, high-leverage practices that build inclusive pathways, minimize barriers to entry, and enable upward mobility. Through cutting edge research, Grads of Life demonstrated the business case for hiring without degrees, as well as the benefits of other inclusive talent strategies. In addition to its thought leadership, Grads of Life directly supports employers in three ways: insights and benchmarking, advisory services, and executive and manager learning.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Year Up and YUPRO (collectively, the Entity) prepare their consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

Year Up owns all of the outstanding shares of YUPRO. Accordingly, the consolidating financial statements include the financial activity of both entities as of and for the years ended December 31, 2021 and 2020. All significant intercompany balances and transactions have been eliminated (see Note L).

Upcoming Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The standard requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the consolidating statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidating statement of functional expenses. This standard is effective for fiscal years beginning after December 15, 2021. The Entity is currently in the process of evaluating the impact of adoption of this ASU on the consolidating financial statements for 2022.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Year Up classifies resources into net asset classes in accordance with donor-imposed restrictions. A description of these categories is as follows:

- **Without Donor Restrictions** - net assets are resources over which Year Up has discretionary control.
- **With Donor Restrictions** – represents contributions received or pledged that have not yet been expended for their designated purposes, by passage of time or are donor restricted to be held in perpetuity (see Note M).

Common Stock

Pursuant to YUPRO's certificate of incorporation as amended on January 8, 2021, YUPRO has authorized the issuance of 100,000 shares of common stock, \$0.001 par value per share. Year Up subscribed to 48,000 shares of common stock at a premium \$10/share. Year Up remains the sole owner of all outstanding common stock shares as of December 31, 2021 and 2020 (see page 11).

Cash and Cash Equivalents

Cash and cash equivalents are held in money market, certificates of deposit and checking accounts. Cash and cash equivalents have initial maturities at date of purchase of three months or less.

Cash and Cash Equivalents - Endowment

Cash and cash equivalents - Endowment is held in a money market account which is part of Year Up's investment portfolio.

Contributed Goods and Services

Year Up recognizes contribution revenue for certain goods and services that would be purchased if not donated, at the fair value of those items.

In-kind contributions include the following items for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Licenses	\$ 2,005,146	\$ 4,183,412
Supplies and other	196,533	1,294,510
Legal services	110,540	966,162
Student transportation	<u>1,000</u>	<u>172,340</u>
	<u>\$ 2,313,219</u>	<u>\$ 6,616,424</u>

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of mutual funds, bonds and equities. Changes in fair values are included in other revenue in the accompanying consolidating statements of activities (see Note D).

Year Up holds its investments with short-term maturities. Investments are not insured and are subject to ongoing market fluctuation.

Revenue Recognition

Grants and Contributions

Grants and contributions may either be conditional or unconditional in accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Year Up recognizes grants and contributions when unconditionally pledged or received. Year Up reports gifts of cash or other assets, as net assets with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets.

Other assets include securities, land, buildings, use of facilities or utilities, materials and supplies, services, and unconditional promises to give those items in the future. When a donor 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 consolidating statements of activities, as net assets released from restrictions.

In accordance with Topic 958, Year Up must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Year Up should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met (see Note F).

In-kind goods and services are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Program Service Fees

Program service income is recognized in accordance with FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgement and changes in judgements.

The Entity evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Fees (Continued)

As part of its program, Year Up places students in internships at various corporations during the second phase of the program. The internship phase provides students with the opportunity to practice and develop the skills learned during the learning and development phase. In addition to providing a hands-on learning opportunity to a Year Up intern, the corporations make a payment to Year Up for its participation in the internship program, recognizing the value of underwriting the training and education of this future talent pipeline. This is an exchange transaction. The revenue generated from the internship program pays for stipends, college credits, and support services for program participants, and other operating costs of the program.

Program service fees are recognized over the period the internship occurs. The performance obligations of delivering internship services are simultaneously received and consumed by partner corporations; therefore, the revenue is recognized ratably over the course of the internship period. Advance payments are recorded as deferred revenue. YUPRO's program service fees are recognized over the staffing contract or consulting period. Permanent placement fees are recognized at the time of the employee's start date. Advance payments are recorded as deferred revenue. A smaller part of program service fees is revenue associated with advisory services to employers on creating inclusive talent strategies and new innovative program models for expanding the number of Opportunity Youth that are served. Year Up charges a fee for the advisory services and recognizes revenue related to these services over time as the customer consumes the benefits of the services performed. Timing of recognizing this stream of revenue is based on output measurements as certain milestones as defined under the terms of the contracts are met.

Other Revenue

Other revenue consists of investment income and rental income from several subleases. All other revenue is recognized as earned.

Allowance for Doubtful Accounts

Grants and pledges receivable are recorded at their net realizable value. Pledges that are expected to be collected after one year from the end of the fiscal year ended are discounted (see Note E).

Allowance for doubtful accounts is recorded based on management's analysis of specific accounts and the estimate of additional amounts that may become uncollectible. Accounts are written off against the allowance when they are determined to be uncollectible.

Internship receivable is recorded at the invoiced amounts and do not bear interest. Internship receivable is shown at the net realizable amount.

Advertising Expense

Advertising costs are expensed at the time they are incurred. Advertising expense for the years ended December 31, 2021 and 2020, was \$2,336,137 and \$1,713,044, respectively.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Equipment purchased by the Entity is recorded at cost. Donated equipment is recorded at fair value at the date of the gift. Depreciation is computed using the straight-line method over the assets' estimated useful life.

Estimated useful lives are as follows:

Leasehold improvements	Life of lease
Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years

Internal Use Software

The Entity follows the guidance of ASC 350-40, Internal Use Software, in accounting for its software development costs. Software development costs relating to internal use are capitalized and amortized on a straight-line basis over its useful life. The entity had capitalized internal use software costs of \$11,173,566, of which \$1,701,660 related to software that had not reached the post-implementation stage as of December 31, 2021, and therefore, is not currently being amortized. Any costs incurred in the preliminary stages of development, as well as planning, training, support, maintenance costs incurred either prior to or following the implementation phase of a project, are recognized as expense in the period in which they occur. The Entity evaluates the carrying value of capitalized internal use software to determine if the carrying value is impaired, and, if necessary, an impairment loss is recorded in the period in which the impairment is determined to have occurred.

Income Taxes and Nonprofit Status

The Entity accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. The Entity has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at December 31, 2021 and 2020. The Entity's information and tax returns are subject to examination by the Federal and state jurisdictions.

Year Up is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Year Up is also exempt from state income taxes. Donors may deduct contributions made to Year Up within IRC requirements.

YUPRO is a for-profit public benefit corporation subject to income taxation. As of December 31, 2021 and 2020, YUPRO had State net operating loss carryforwards of approximately \$142,000 and \$287,000, respectively, which may be available to offset future income tax liabilities and expire on December 31, 2039. The tax benefit of the net operating loss carryforwards is immaterial to the consolidating financial statements and is not reflected.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes and Nonprofit Status (Continued)

Income taxes are provided for the tax effects of transactions reported in the consolidating financial statements and consist of taxes currently due and deferred taxes related primarily to differences between the consolidating financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Included in accounts payable and accrued expenses as of December 31, 2021 and 2020, is approximately \$627,000 and \$164,000, respectively in income tax payments due to various tax jurisdictions. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Future tax benefits are recognized only to the extent that such benefits are more-likely-than-not to be realized. A valuation allowance is recorded when it is more-likely-than-not that a net deferred tax asset will not be realized.

Cost Allocation - Functional Expenses

The costs of providing program and other activities of the Entity have been summarized on a functional basis in the accompanying consolidating statements of functional expenses, which includes all operating expenses incurred during the year. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses directly related to a program are distributed to that program. Salaries, fringe benefits and taxes, occupancy, telecommunications, depreciation, and other costs of the technology department are allocated among program and supporting services benefited based on full-time equivalent ratios.

Use of Estimates

The preparation of consolidating financial statements in conformity with U.S. 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 consolidating financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Entity follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Entity would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Entity uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Entity. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting the Entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to fair value measurement.

Investments

Investments are recorded in the consolidating financial statements at fair value. If an investment is directly held by Year Up and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of share in mutual funds are based on share prices reported by the funds at the last business day of the fiscal year. Bonds are valued using several factors, including its credit rating relative to a corporate bond or government security with similar maturity or duration (see Note D). Assets valuations of hedge funds are generally reported at the net assets value (NAV) reported by fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investments will be sold for an amount different from NAV.

Investments in YUPRO

Consistent with ASU 2016-01, Year Up elected to measure its investment in YUPRO using the measurement alternative in which these investments are measured at cost, less impairment, plus or minus changes resulting from YUPRO's earnings. The values presented herein are not necessarily indicative of the amount that the Year Up could realize in a current transaction. The values may differ significantly from the values that would have been used had a ready market value for the underlying assets existed and the differences could be material. Future confirming events will also affect the estimates of the value, and the effect of such events on those estimates of the value could be material.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE C - AVAILABILITY AND LIQUIDITY

The Entity's financial assets available within one year from the consolidating statements of financial position date for general operating expenses as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 59,323,048	\$ 53,684,696
Internship receivable, net	11,664,009	10,535,691
Grant and pledges receivable	62,659,260	35,291,566
Investments	<u>36,570,542</u>	<u>14,725,837</u>
Total financial assets	170,216,859	114,237,790
Less:		
Grants and pledges receivable scheduled to be collected in more than one year	36,105,445	20,510,130
Restricted by donors for specific programs	<u>16,993,751</u>	<u>11,441,619</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 117,117,663</u>	<u>\$ 82,286,041</u>

The available balance of approximately \$117,200,000 and \$82,300,000 at December 31, 2021 and 2020, respectively, represents over ten months of operating expenses in 2021 and over six months in 2020. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and other marketable securities. At December 31, 2021 and 2020, the Entity had \$10,000,000 and \$45,000,000, respectively, available from its lines of credit to meet cash flow needs (see Note J).

NOTE D - INVESTMENTS

The following tables present Year Up's investments classified by major categories and presented by level within the valuation framework (see Note B) as of December 31:

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds:				
U.S. Large Cap	\$ 3,214,587	\$ -	\$ -	\$ 3,214,587
Other	6,427,576	-	-	6,427,576
Fixed income:				
Investment Grade Bonds	6,121,795	13,678,769	-	19,800,564
Other	3,929,737	-	-	3,929,737
Hedge funds *	-	-	-	2,107,977
Commodities	<u>1,090,101</u>	<u>-</u>	<u>-</u>	<u>1,090,101</u>
Total investments	<u>\$ 20,783,796</u>	<u>\$ 13,678,769</u>	<u>\$ -</u>	<u>\$ 36,570,542</u>

YEAR UP, INC. AND SUBSIDIARYNotes to Consolidating Financial Statements
December 31, 2021 and 2020**NOTE D - INVESTMENTS (Continued)**

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds:				
U.S. Large Cap	\$ 2,162,022	\$ -	\$ -	\$ 2,162,022
Other	1,908,419	-	-	1,908,419
Fixed income:				
Investment Grade Bonds	2,115,894	5,152,713	-	7,268,607
Other	2,077,638	-	-	2,077,638
Hedge funds *	-	-	-	826,544
Commodities	<u>482,607</u>	<u>-</u>	<u>-</u>	<u>482,607</u>
Total investments	<u>\$ 8,746,580</u>	<u>\$ 5,152,713</u>	<u>\$ -</u>	<u>\$ 14,725,837</u>

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidating statement of financial position.

Investment activity is included in other revenue in the accompanying consolidating statements of activities and consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Investment interest and dividends	\$ 927,404	\$ 317,965
Net realized gain on sale of investments	1,124,449	309,134
Net unrealized gain (loss) on investments	(415,572)	777,919
Investment management fees	<u>(111,074)</u>	<u>(48,128)</u>
	<u>\$ 1,525,207</u>	<u>\$ 1,356,890</u>

NOTE E - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at December 31 are expected to be collected in the following periods:

	<u>2021</u>	<u>2020</u>
In less than one year	\$ 26,655,753	\$ 14,883,374
Between one and five years	<u>36,727,333</u>	<u>21,033,000</u>
Total grants and pledges receivable	63,383,086	35,916,374
Less - present value discount	621,888	522,870
Less - allowance for doubtful accounts	<u>101,938</u>	<u>101,938</u>
Grants and pledges receivable, net	<u>\$ 62,659,260</u>	<u>\$ 35,291,566</u>

The present value discount was calculated using a discount factor, which ranged from 0.73% to 1.26%.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE F - CONDITIONAL GRANTS

At December 31, 2021, Year Up had received grants and contributions totaling \$33,725,419 that contained donor-imposed conditions that represent a barrier that must be overcome, as well as a right of return of assets or release from obligations. Year Up recognizes these grants and contributions when donor-imposed conditions are substantially met (see Note B).

Conditional promises to give at December 31, 2021, consist of:

Subject to matching and measurable performance barriers	\$ 33,708,500
Incurring qualifying expenses	<u>16,919</u>
Total conditional promises to give	<u>\$ 33,725,419</u>

These conditions are expected to be satisfied at various times through fiscal year 2026, at which time they will be recognized as revenue.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 20,802,556	\$ 19,409,039
Computer equipment	9,526,464	10,419,458
Furniture and fixtures	2,122,047	1,949,983
Software	9,471,906	7,060,129
Software development	<u>1,701,660</u>	<u>2,372,295</u>
	43,624,633	41,210,904
Less - accumulated depreciation	<u>27,273,079</u>	<u>24,266,952</u>
Property and equipment, net	<u>\$ 16,351,554</u>	<u>\$ 16,943,952</u>

For the years ended December 31, 2021 and 2020, the Entity expensed \$5,165,523 and \$5,241,192, respectively, of depreciation.

Year Up has ongoing software development projects as of December 31, 2021 and 2020. These projects are expected to be completed and placed in service during 2022, at which point Year Up will begin depreciating these assets.

NOTE H - OPERATING LEASES

The following is a schedule of combined future rental payments under operating leases:

<u>Year Ending December 31</u>	
2022	\$ 7,043,063
2023	\$ 7,102,160
2024	\$ 6,585,390
2025	\$ 5,965,305
2026	\$ 5,226,562

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE H - OPERATING LEASES (Continued)

Rent expense for the years ended December 31, 2021 and 2020, was \$5,690,705 and \$5,468,767, respectively, and is included in occupancy in the accompanying consolidating statements of functional expenses. Rent expense is recorded on a straight-line basis for Year Up's operating leases.

The lease agreements also include tenant improvement allowances of approximately \$9,800,000 in the form of a reimbursement for construction and related costs incurred by Year Up in fitting out the leased spaces. This landlord incentive is reported as a liability and is amortized over the lease term as a reduction in the rent expense. As a result of certain rent holidays, escalation clauses and tenant improvement allowances included in the leases noted above, accrued rent liabilities totaling \$10,009,832 and \$8,884,970 as of December 31, 2021 and 2020, respectively, are included in deferred rent in the accompanying consolidating statements of financial position.

During 2020, Year Up entered into an agreement with a landlord to terminate a certain office lease before its scheduled termination date. Per the terms of the agreement, Year Up is subject to an early termination fee which is payable monthly through August 2022. The outstanding balance under this agreement was \$278,470 and \$612,634 at December 31, 2021 and 2020, respectively, and is included in the deferred rent.

As part of certain lease agreements, Year Up is required to deliver security to the landlords in the form of an irrevocable letter of credit from a bank. Year Up maintains three letters of credit for a total of \$3,703,784 with various banking institutions. Year Up named the landlords as the beneficiaries through the maturity of the leases.

NOTE I - NOTES PAYABLE

At December 31, 2019, YUPRO had two unsecured notes payable aggregating to \$1,000,000 that were due to mature in May 2021. During 2020, both loans were paid in full.

NOTE J - LINES OF CREDIT

Year Up has a revolving line of credit agreement with a bank in the amount \$10,000,000. Year Up is required to make monthly payments equal to the sum of accrued interest at the close of the billing cycle. Year Up will pay in full, any principal, interest or other charges outstanding on this facility no later than the facility expiration date (May 27, 2022). Year Up may request an extension in writing of up to one (1) year within a time period no greater than 120 days and no less than 60 days prior to the expiration date. Interest is equal to the sum of (i) the greater of the London Interbank Offered Rate (LIBOR) Daily Floating rate or 1.0%, plus (ii) 2.6 percentage points. Year Up agrees to pay an unused fee at 0.50% per year on the difference between \$10,000,000 and the average daily outstanding credit balance.

The line of credit agreement has an out-of-debt (or zero balance) period of thirty consecutive days in each "line-year". Year Up borrowed from the line of credit up to \$10,000,000 during 2020. All advances were repaid. There were no outstanding balances at December 31, 2021 or 2020. The line of credit agreement contains various covenants. Year Up was in compliance with these covenants at December 31, 2021 and 2020. This line of credit is subject to an annual renewal.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE J - LINES OF CREDIT (Continued)

During 2021, in response to possible uncertainties arising from the COVID-19 pandemic, Year Up secured a second revolving line of credit with another bank in the amount of \$35,000,000. A major philanthropic donor was the guarantor of this line of credit as a grant of credit support to Year Up. This line of credit had certain covenants, among them: (i) Year Up's outstanding balance would not exceed \$20,000,000 without prior written consent of the guarantor and (ii) Year Up would not agree to any modification of the first line of credit that would exceed the \$10,000,000 maximum amount without prior written consent of the guarantor. Year Up did not borrow from this line of credit, which expired on December 31, 2021, and was not renewed.

NOTE K - RETIREMENT PLAN

Year Up has a defined contribution pension plan covering eligible employees. Participants can make an elective deferral for any plan year of their eligible compensation, not to exceed the annual dollar limit as permitted by law. Year Up may elect to make a matching contribution. During 2021 and 2020, Year Up made matching contributions of 100% of the first 5% of a participant's compensation contributed to the plan. For the years ended December 31, 2021 and 2020, Year Up contributed \$2,859,355 and \$2,783,772, respectively. These amounts are included in fringe benefits and taxes in the accompanying consolidating statements of functional expenses.

NOTE L - RELATED PARTY TRANSACTIONS

At December 31, 2021 and 2020, the balance outstanding of pledges receivable from National Board members of Year Up were \$17,200,000 and \$1,803,819, respectively.

A member of the Board is a partner at a law firm which provided pro bono services to Year Up in the amounts of \$100,134 and \$966,162 for the years ended December 31, 2021 and 2020, respectively. This member abstains from discussions on matters surrounding his firm, as required by Year Up's conflict of interest policy.

Year Up's subscription price of YUPRO's common stock and the related equity adjustments have been eliminated in the accompanying consolidating financial statements.

Year Up contracts with YUPRO for student apprenticeship payments, consulting and temporary help. During the years ended December 31, 2021 and 2020, Year Up paid YUPRO \$617,383 and \$494,310, respectively, in contractor fees which are included in program service fees, consultants and professional services, and office expenses in the accompanying consolidating financial statements. These amounts have been eliminated in the consolidating financial statements.

During 2016, Year Up entered into an agreement with YUPRO, whereby YUPRO will pay Year Up a fee for each Year Up internship program graduate referred by Year Up to YUPRO. The fee is dependent on the graduate successfully transitioning to a contractor position at the internship company for at least three months and where the placement of the graduate at the internship company is managed by YUPRO. The agreement was effective on January 1, 2016. The fee is only required when YUPRO generates operating profit after interest and taxes and is determined based on a calculation established in the agreement. For the years ended December 31, 2021 and 2020, Year Up earned a fee of \$126,838 and \$66,272, respectively, which is included in other revenue in the accompanying consolidating financial statements. In addition, in 2021, Year Up charged YUPRO placement fees in the amount of \$13,998 for YUPRO 2021 Talent Hubs in South Florida and Philadelphia. These amounts have been eliminated in the consolidating financial statements.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE L - RELATED PARTY TRANSACTIONS (Continued)

During 2021, Year Up also charged YUPRO certain administrative service fees in the amount of \$48,510. These services provided were consistent with the Resource Sharing and Services Agreement of May 1, 2014, between Year Up and YUPRO. This amount has been eliminated in the consolidating financial statements.

NOTE M - NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 61,940,376	\$ 34,507,410
Program restricted	16,993,751	11,441,619
Permanently restricted Endowment	<u>4,300,000</u>	<u>-</u>
	<u>\$ 83,234,127</u>	<u>\$ 45,949,029</u>

Net assets with donor restrictions were released from the following restrictions for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 17,936,361	\$ 22,863,603
Program restricted	<u>10,437,466</u>	<u>14,536,051</u>
	<u>\$ 28,373,827</u>	<u>\$ 37,399,654</u>

Opportunity Campaigns

In 2016, Year Up launched a capital campaign, Opportunity Campaign III (OC III), a \$225,000,000 campaign to support growth, innovation and impact 2016-2021. The campaign funded expansion of direct service work and a continued investment in generating impact. As of December 31, 2019, Year Up had raised approximately \$241,000,000 for OC III and closed the campaign. Contribution payments from this campaign are expected to be paid through 2023.

Year Up's newest capital campaign, Opportunity Campaign IV (OC IV), launched its public phase in 2021. This five-year \$400,000,000 comprehensive campaign is supporting growth, innovation, impact and operations through 2025. Year Up raised \$48,430,000 in commitments as of December 31, 2020, and raised an additional \$111,100,000 in commitments in fiscal year 2021, bringing total commitments to \$159,530,000. Of the 2021 campaign funds, \$32,403,000 is conditional, and therefore, not reflected in the accompanying consolidating statements of activities.

Endowment

On December 29, 2021, Year Up received an endowment contribution from a donor aggregating to \$4,300,000. In accordance with the donor intentions, investment returns from these funds are to be utilized by Year Up on Alumni relations activities and other general activities as approved by Year Up's Board. During 2022, Year Up will adopt a spending policy that will be consistent with the guidance under U.S. GAAP related to the treatment of *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2022, which is the date the consolidating financial statements were available for issuance. There were no events that met the criteria for recognition or disclosure in the consolidating financial statements.

NOTE O - CONCENTRATIONS

FDIC Coverage

The Entity maintains its cash balances in various banks in Massachusetts and Georgia. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain limits. At certain times during the year, cash balances exceeded the insured amounts. The Entity has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Funding

The following tables reflect the Entity's largest donors and Corporate Partners:

<u>Donor</u>	<u>2021</u>		<u>2020</u>	
	<u>Total Contributions and Grants</u>	<u>Total Grant & Pledges Receivable</u>	<u>Total Contributions and Grants</u>	<u>Total Grant & Pledges Receivable</u>
A	13 %	19 %	- %	12 %
B	13 %	19 %	- %	- %
C	- %	- %	13 %	23 %
D	- %	- %	11 %	17 %

<u>Corporate Partner</u>	<u>2021</u>		<u>2020</u>	
	<u>Total Program Service Fees</u>	<u>Internship Receivable</u>	<u>Total Program Service Fees</u>	<u>Internship Receivable</u>
E	13 %	23 %	15 %	22 %
F	10 %	- %	10 %	- %
G	- %	- %	- %	12 %

NOTE P - CONTINGENCY

In the ordinary course of the Year Up's business, Year Up is from time-to-time involved in disputes concerning individuals' employment with Year Up. While the employees may seek damages in connection with these disputes, Year Up denies any wrongdoing in these cases and has taken the appropriate legal steps in defense of any disputes. It is Year Up's opinion that any potential settlement would not be material to the accompanying consolidating financial statements.

YEAR UP, INC. AND SUBSIDIARY

Notes to Consolidating Financial Statements
December 31, 2021 and 2020

NOTE Q - REDEEMABLE PREFERRED STOCK

Issuance

In 2021, YUPRO entered into a Stock Purchase Agreement (“the Agreement”) with an investor whereby YUPRO sold 2,000 shares of Series A Preferred Stock (“Series A Preferred Stock”) at \$1,000 per share, for an aggregate price of \$2,000,000 to the investor. The investor holds no voting rights and is not entitled to convert the preferred stock into any other class of capital stock per the terms of the agreement.

Dividends

From and after the date of the issuance of any Preferred Stock, the investor shall be entitled to accrue dividends, at the rate per annum of ten percent (10.0%), whether or not declared and shall be cumulative. These dividends shall be payable in the event of YUPRO’s liquidation. During 2021, the undeclared dividends from this transaction aggregated to \$200,000 which is not reflected in the accompanying consolidating financial statements since the aforementioned condition was not met.

Redemption

Preferred Stock shall be redeemed by YUPRO as follows:

- (i) Liquidation Event (as defined in the agreement) - Paid ahead of any common stockholders at 1.0x the Series A price plus all accumulated dividends as defined above.
- (ii) After the fifth anniversary of the closing of the agreement, YUPRO shall be entitled to redeem the stock at an amount equal to \$2,000,000 plus an amount to support a 12% internal rate of return on \$2,000,000.
- (iii) After the seventh anniversary of the closing of the agreement, YUPRO shall be obliged to redeem the stock (subject to available liquidity and other restrictions as described in the agreement) at a redemption rate equal to, at the election of the investor, six percent of earnings before interest and taxes (EBIT) of YUPRO for fiscal year 2029 through 2033 payable in annual installments as defined in the agreement, up to a maximum aggregate amount equal to \$2,000,000 plus a 12% internal rate of return on \$2,000,000.
- (iv) At the seventh anniversary of the closing of the agreement, the investor shall be entitled to obligate YUPRO to redeem the Series A Preferred (subject to available liquidity and other restrictions as defined in the agreement) at a price equal to, at the election of the investor, twenty percent (20%) of YUPRO’s EBIT starting with fiscal year 2028, payable in annual installments up to a maximum aggregate amount equal to the Series A price of \$2,000,000. If the investor selects this option, then the obligations under the previous option shall be null and void.

Due to the uncertainty in how the preferred stock will be redeemed, no additional obligations have been reflected in the accompanying consolidating financial statements.

Since the preferred stock transaction has a mandatory redemptive feature as above, in accordance with ASC 480-10-25: *Distinguishing Liabilities from Equity*, this transaction is reflected as a liability in the accompanying 2021 consolidating statement of financial position. YUPRO incurred \$33,288 of issuance costs relating to this agreement, including legal fees which are recorded net of the preferred stock obligation in the accompanying 2021 consolidating statement of financial position.

NOTE R - RECLASSIFICATIONS

Certain amounts in fiscal year 2020 consolidating financial statements have been reclassified to conform with the fiscal year 2021 presentation.