YEAR UP, INC. AND SUBSIDIARY

CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

YEAR UP, INC. AND SUBSIDIARY

Contents
December 31, 2022 and 2021

AAFCPAs
great minds | great hearts

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter

As discussed in Note B to the consolidating financial statements, in 2022, the Entity adopted Financial Accounting Standards Board's Accounting Standards Updates (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* and ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Management's Responsibility for the 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 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 14, 2023

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position
December 31, 2022
(With Summarized Comparative Totals as of December 31, 2021)

	2022				2021
Assets	**Year Up, Inc.**	**YUPRO**	**Eliminations**	**Total**	**Total**
Current Assets:					
Cash and cash equivalents	$ 45,423,727	$ 6,104,062	$ -	$ 51,527,789	$ 59,323,048
Investments	37,204,886	-	-	37,204,886	36,570,542
Current portion of grants and pledges receivable, net	27,346,729	-	-	27,346,729	26,553,815
Internship receivable and other	20,745,954	3,712,866	(1,130,902)	23,327,918	11,664,009
Prepaid expenses and other	3,759,907	478,672	-	4,238,579	2,494,028
Total current assets	134,481,203	10,295,600	(1,130,902)	143,645,901	136,605,442
Grants and Pledges Receivable, net of current portion	45,414,312	-	-	45,414,312	36,105,445
Cash and Cash Equivalents - Endowment	1,350,000	-	-	1,350,000	4,300,000
Investments - Endowment	3,883,733	-	-	3,883,733	-
Investment in YUPRO	3,500,893	-	(3,500,893)	-	-
Operating Lease Right-of-Use (ROU) Asset	23,164,190	-	-	23,164,190	-
Property and Equipment, net	14,621,860	46,158	-	14,668,018	16,351,554
Total assets	$ 226,416,191	$ 10,341,758	$ (4,631,795)	$ 232,126,154	$ 193,362,441
Liabilities, Net Assets and Stockholder's Equity					
Current Liabilities:					
Accounts payable and accrued expenses	$ 6,009,169	$ 2,970,901	$ (1,130,902)	$ 7,849,168	$ 6,991,213
Accrued payroll and related expenses	8,817,360	323,422	-	9,140,782	7,395,898
Deferred revenue	3,238,830	1,579,831	-	4,818,661	4,585,017
Current portion of deferred rent	-	-	-	-	1,204,257
Operating lease liability - short-term	7,187,271	-	-	7,187,271	-
Total current liabilities	25,252,630	4,874,154	(1,130,902)	28,995,882	20,176,385
Operating Lease Liability - Long-Term	24,701,466	-	-	24,701,466	-
Deferred rent, net of curent portion	-	-	-	-	8,805,575
Mandatorily Redeemable Preferred Stock, net	-	1,966,711	-	1,966,711	1,966,711
Total liabilities	49,954,096	6,840,865	(1,130,902)	55,664,059	30,948,671
Net Assets:					
Without donor restrictions	85,403,578	-	-	85,403,578	79,179,643
With donor restrictions:					
Purpose and time	75,607,821	-	-	75,607,821	78,934,127
Endowment	15,450,696	-	-	15,450,696	4,300,000
Total with donor restrictions	91,058,517	-	-	91,058,517	83,234,127
Total net assets	176,462,095	-	-	176,462,095	162,413,770
Stockholder's Equity:					
Paid-in capital:					
Common stock, $0.001 par, 100,000 shares authorized and 48,000 shares 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	-	3,020,893	(3,020,893)	-	-
Total stockholder's equity	-	3,500,893	(3,500,893)	-	-
Total net assets and stockholder's equity	176,462,095	3,500,893	(3,500,893)	176,462,095	162,413,770
Total liabilities, net assets and stockholder's equity	$ 226,416,191	$ 10,341,758	$ (4,631,795)	$ 232,126,154	$ 193,362,441

The accompanying notes are an integral part of these consolidating statements.

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position
December 31, 2021

Assets	**Year Up, Inc.**	**YUPRO**	**Eliminations**	**Total**
Current Assets:				
Cash and cash equivalents	$ 53,710,194	$ 5,612,854	$ -	$ 59,323,048
Investments	36,570,542	-	-	36,570,542
Current portion of grants and pledges receivable, net	26,553,815	-	-	26,553,815
Internship receivable and other	8,820,793	3,083,690	(240,474)	11,664,009
Prepaid expenses and other	2,634,317	49,057	(189,346)	2,494,028
Total current assets	128,289,661	8,745,601	(429,820)	136,605,442
Grants and Pledges Receivable, net of current portion	36,105,445	-	-	36,105,445
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
Total assets	$ 187,196,556	$ 8,850,203	$ (2,684,318)	$ 193,362,441
Liabilities, Net Assets and Stockholder's Equity				
Current Liabilities:				
Accounts payable and accrued expenses	$ 4,507,872	$ 2,913,161	$ (429,820)	$ 6,991,213
Accrued payroll and related expenses	7,189,898	206,000	-	7,395,898
Deferred revenue	3,075,184	1,509,833	-	4,585,017
Current portion of deferred rent	1,204,257	-	-	1,204,257
Total current liabilities	15,977,211	4,628,994	(429,820)	20,176,385
Deferred Rent, net of current portion	8,805,575	-	-	8,805,575
Mandatorily Redeemable Preferred Stock, net	-	1,966,711	-	1,966,711
Total liabilities	24,782,786	6,595,705	(429,820)	30,948,671
Net Assets:				
Without donor restrictions	79,179,643	-	-	79,179,643
With donor restrictions:				
Purpose and time	78,934,127	-	-	78,934,127
Endowment	4,300,000	-	-	4,300,000
Total with donor restrictions	83,234,127	-	-	83,234,127
Total net assets	162,413,770	-	-	162,413,770
Stockholder's Equity:				
Paid-in capital:				
Common stock, $0.001 par, 100,000 shares authorized and 48,000 shares 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	-	1,774,498	(1,774,498)	-
Total stockholder's equity	-	2,254,498	(2,254,498)	-
Total net assets and stockholder's equity	162,413,770	2,254,498	(2,254,498)	162,413,770
Total liabilities, net assets and stockholder's equity	$ 187,196,556	$ 8,850,203	$ (2,684,318)	$ 193,362,441

The accompanying notes are an integral part of these consolidating statements.

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Activities
For the Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022						2021
	Year Up, Inc.						
	Without Donor Restrictions	With Donor Restrictions	Total	YUPRO	Eliminations	Total	Total
Operating Revenues and Sales:							
Contributions and grants	$ 37,607,188	$ 45,155,759	$ 82,762,947	$ -	$ -	$ 82,762,947	$ 107,158,299
Program service fees	81,631,764	-	81,631,764	-	-	81,631,764	75,624,416
In-kind goods and services	2,711,890	-	2,711,890	-	-	2,711,890	2,313,219
Other revenue	989,860	-	989,860	-	(306,587)	683,273	855,354
Net assets released from restrictions	48,482,065	(48,482,065)	-	-	-	-	-
Investment income (loss), net of fees	(3,479,406)	-	(3,479,406)	-	-	(3,479,406)	1,525,207
Total operating revenues	167,943,361	(3,326,306)	164,617,055	-	(306,587)	164,310,468	187,476,495
Sales	-	-	-	26,674,995	(970,220)	25,704,775	23,048,708
Less - cost of sales	-	-	-	20,209,636	-	20,209,636	17,990,145
Net sales	-	-	-	6,465,359	(970,220)	5,495,139	5,058,563
Total operating revenues and sales	167,943,361	(3,326,306)	164,617,055	6,465,359	(1,276,807)	169,805,607	192,535,058
Operating Expenses:							
Program services:							
Direct Service	123,906,416	-	123,906,416	3,299,753	(970,220)	126,235,949	110,946,684
Alumni	1,991,541	-	1,991,541	-	-	1,991,541	1,664,389
Grads of Life	5,398,565	-	5,398,565	-	-	5,398,565	4,111,555
Total program services	131,296,522	-	131,296,522	3,299,753	(970,220)	133,626,055	116,722,628
General and administrative	21,754,725	-	21,754,725	1,919,211	(306,587)	23,367,349	18,433,717
Fundraising	9,914,574	-	9,914,574	-	-	9,914,574	9,030,311
Total operating expenses	162,965,821	-	162,965,821	5,218,964	(1,276,807)	166,907,978	144,186,656
Changes in net assets and stockholder's equity from operations	4,977,540	(3,326,306)	1,651,234	1,246,395	-	2,897,629	48,348,402
Non-operating Revenues:							
Contributions - endowment	-	11,566,963	11,566,963	-	-	11,566,963	4,300,000
Equity in earnings of subsidiary	1,246,395	-	1,246,395	-	(1,246,395)	-	-
Investment loss, net of fees - endowment	-	(416,267)	(416,267)	-	-	(416,267)	-
Total non-operating revenues	1,246,395	11,150,696	12,397,091	-	(1,246,395)	11,150,696	4,300,000
Changes in net assets and stockholder's equity	$ 6,223,935	$ 7,824,390	$ 14,048,325	$ 1,246,395	$ (1,246,395)	$ 14,048,325	$ 52,648,402

The accompanying notes are an integral part of these consolidating statements.

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Activities
For the Year Ended December 31, 2021

	Year Up, Inc. Without Donor Restrictions	Year Up, Inc. With Donor Restrictions	Year Up, Inc. Total	YUPRO	Eliminations	Total
Operating Revenues and Sales:						
Contributions and grants	$ 45,799,374	$ 61,358,925	$ 107,158,299	$ -	$ -	$ 107,158,299
Program service fees	75,624,416	-	75,624,416	-	-	75,624,416
In-kind goods and services	2,313,219	-	2,313,219	-	-	2,313,219
Other revenue	683,353	-	683,353	361,347	(189,346)	855,354
Net assets released from restrictions	28,373,827	(28,373,827)	-	-	-	-
Investment income, net of fees	1,525,207	-	1,525,207	-	-	1,525,207
Total operating revenues	154,319,396	32,985,098	187,304,494	361,347	(189,346)	187,476,495
Sales	-	-	-	23,666,091	(617,383)	23,048,708
Less - cost of sales	-	-	-	17,990,145	-	17,990,145
Net sales	-	-	-	5,675,946	(617,383)	5,058,563
Total operating revenues and sales	154,319,396	32,985,098	187,304,494	6,037,293	(806,729)	192,535,058
Operating Expenses:						
Program services:						
Direct Service	109,190,763	-	109,190,763	2,373,304	(617,383)	110,946,684
Alumni	1,664,389	-	1,664,389	-	-	1,664,389
Grads of Life	4,111,555	-	4,111,555	-	-	4,111,555
Total program services	114,966,707	-	114,966,707	2,373,304	(617,383)	116,722,628
General and administrative	16,795,318	-	16,795,318	1,827,745	(189,346)	18,433,717
Fundraising	9,030,311	-	9,030,311	-	-	9,030,311
Total operating expenses	140,792,336	-	140,792,336	4,201,049	(806,729)	144,186,656
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
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

The accompanying notes are an integral part of these consolidating statements.

Consolidating Statements of Changes in Net Assets and Stockholder's Equity (Deficit)
For the Years Ended December 31, 2022 and 2021

	Year Up, Inc. Net Assets			YUPRO Stockholder's Equity (Deficit)				
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Common Stock**	**Retained Earnings (Accumulated Deficit)**	**Total**	**Eliminations**	**Total**
Net Assets and Stockholder's Equity (Deficit), 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 stockholder's 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 Stockholder's Equity, December 31, 2021	79,179,643	83,234,127	162,413,770	480,000	1,774,498	2,254,498	(2,254,498)	162,413,770
Changes in net assets and stockholder's equity	6,223,935	7,824,390	14,048,325	-	1,246,395	1,246,395	(1,246,395)	14,048,325
Net Assets and Stockholder's Equity, December 31, 2022	$ 85,403,578	$ 91,058,517	$ 176,462,095	$ 480,000	$ 3,020,893	$ 3,500,893	$ (3,500,893)	$ 176,462,095

The accompanying notes are an integral part of these consolidating statements.

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2022

	Year Up, Inc.	YUPRO	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets and stockholder's equity	$ 14,048,325	$ 1,246,395	$ (1,246,395)	$ 14,048,325
Adjustments to reconcile changes in net assets and stockholder's equity to net cash provided by (used in) operating activities:				
Equity in earnings of subsidiary	(1,246,395)	-	1,246,395	-
Depreciation	4,820,329	58,154	-	4,878,483
Amortization of operating lease right-of-use (ROU) asset	5,046,297	-	-	5,046,297
Bad debt	287,420	-	-	287,420
Realized and unrealized loss on investments	4,767,390	-	-	4,767,390
Loss on disposal of property	60,707	4,545	-	65,252
Changes in pledge discount	3,715,762	-	-	3,715,762
Endowment contributions	(11,566,963)	-	-	(11,566,963)
Changes in operating assets and liabilities:				
Grants and pledges receivables	(3,888,000)	-	-	(3,888,000)
Internship receivable and other	(11,925,161)	(629,176)	-	(12,554,337)
Prepaid expenses and other	(1,125,590)	(429,615)	-	(1,555,205)
Accounts payable and accrued expenses	3,128,759	487,397	-	3,616,156
Federal and state taxes payable	-	(312,235)	-	(312,235)
Deferred revenue	163,646	69,998	-	233,644
Payment of operating lease obligations	(6,331,582)	-	-	(6,331,582)
Net cash provided by (used in) operating activities	(45,056)	495,463	-	450,407
Cash Flows from Investing Activities:				
Sales of investments	13,634,695	-	-	13,634,695
Acquisition of property and equipment	(3,255,944)	(4,255)	-	(3,260,199)
Endowment contributions	1,350,000	-	-	1,350,000
Purchases of investments	(22,920,162)	-	-	(22,920,162)
Net cash used in investing activities	(11,191,411)	(4,255)	-	(11,195,666)
Net Change in Cash and Cash Equivalents	(11,236,467)	491,208	-	(10,745,259)
Cash and Cash Equivalents:				
Beginning of year	58,010,194	5,612,854		63,623,048
End of year	$ 46,773,727	$ 6,104,062	$ -	$ 52,877,789
Reconciliation of Cash and Cash Equivalents Reported Within the Consolidating Statement of Financial Position:				
Cash and cash equivalents	$ 45,423,727	$ 6,104,062	$ -	$ 51,527,789
Cash and cash equivalents - endowment	1,350,000	-	-	1,350,000
Total cash and cash equivalents shown in the consolidating statement of cash flows	$ 46,773,727	$ 6,104,062	$ -	$ 52,877,789
Supplemental Disclosures:				
Cash paid for Federal and state income taxes	$ -	$ 550,457	$ -	$ 550,457

YEAR UP, INC. AND SUBSIDIARY

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

	Year Up, Inc.	YUPRO	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets and stockholder's equity	$ 52,586,656	$ 1,836,244	$ (1,774,498)	$ 52,648,402
Adjustments to reconcile changes in net assets and stockholder's equity to net cash provided by 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:				
Grants and pledges 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	31,724,871	2,240,582	-	33,965,453
Cash Flows from Investing Activities:				
Sales of investments	11,267,316	-	-	11,267,316
Acquisition of property and equipment	(4,722,020)	(135,964)	-	(4,857,984)
Purchases of investments	(32,403,144)	-	-	(32,403,144)
Net cash used in investing activities	(25,857,848)	(135,964)	-	(25,993,812)
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	-	1,966,711	-	1,966,711
Net Change in Cash and Cash Equivalents	5,867,023	4,071,329	-	9,938,352
Cash and Cash Equivalents:				
Beginning of year	52,143,171	1,541,525	-	53,684,696
End of year	$ 58,010,194	$ 5,612,854	$ -	$ 63,623,048
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	4,300,000	-	-	4,300,000
Total cash and cash equivalents shown in the consolidating statement of cash flows	$ 58,010,194	$ 5,612,854	$ -	$ 63,623,048

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022										2021
	Year Up, Inc.										
	Program Services										
	Direct Service	Alumni	Grads of Life	Total Program Services	General and Administrative	Fundraising	Total	YUPRO	Eliminations	Total	Total
Payroll and Related:											
Salaries	$ 58,291,330	$ 952,230	$ 3,449,503	$ 62,693,063	$ 10,930,180	$ 6,350,581	$ 79,973,824	$ 2,590,032	$ -	$ 82,563,856	$ 70,653,202
Fringe benefits and taxes	17,900,359	277,851	908,127	19,086,337	2,740,810	1,655,516	23,482,663	441,334	-	23,923,997	23,033,428
Contractors wages, benefits and taxes	-	-	-	-	-	-	-	20,209,636	-	20,209,636	17,990,145
Total payroll and related	76,191,689	1,230,081	4,357,630	81,779,400	13,670,990	8,006,097	103,456,487	23,241,002	-	126,697,489	111,676,775
Non-Compensation Operating Expenses:											
Student related direct costs	23,263,845	61,155	850	23,325,850	-	-	23,325,850	-	(1,242,318)	22,083,532	19,452,990
Technology and telecommunications	7,152,531	199,031	277,921	7,629,483	983,411	377,851	8,990,745	106,972	-	9,097,717	8,203,725
Occupancy	5,372,577	671	1,927	5,375,175	1,864,388	6,731	7,246,294	-	-	7,246,294	7,113,333
Consultants and professional services	2,067,477	58,120	480,646	2,606,243	2,355,281	442,836	5,404,360	198,642	(34,489)	5,568,513	3,704,469
Depreciation	3,725,085	33,795	97,071	3,855,951	787,493	176,885	4,820,329	58,154	-	4,878,483	5,165,523
Other expenses	1,127,537	13,210	30,056	1,170,803	1,246,823	516,039	2,933,665	1,302,530	-	4,236,195	3,647,614
Advertising and promotion	3,138,822	11,266	32,796	3,182,884	32,000	61,483	3,276,367	416,301	-	3,692,668	2,603,466
Travel, lodging and meals	1,457,583	293,148	114,821	1,865,552	564,096	177,044	2,606,692	104,999	-	2,711,691	388,362
Special events	409,270	91,064	4,847	505,181	250,243	149,608	905,032	-	-	905,032	220,544
Total non-compensation operating expenses	47,714,727	761,460	1,040,935	49,517,122	8,083,735	1,908,477	59,509,334	2,187,598	(1,276,807)	60,420,125	50,500,026
Total operating expenses	123,906,416	1,991,541	5,398,565	131,296,522	21,754,725	9,914,574	162,965,821	25,428,600	(1,276,807)	187,117,614	162,176,801
Cost of Sales	-	-	-	-	-	-	-	(20,209,636)	-	(20,209,636)	(17,990,145)
Total operating expenses net of cost of sales	$ 123,906,416	$ 1,991,541	$ 5,398,565	$ 131,296,522	$ 21,754,725	$ 9,914,574	$ 162,965,821	$ 5,218,964	$ (1,276,807)	$ 166,907,978	$ 144,186,656

YEAR UP, INC. AND SUBSIDIARY

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2021

	Year Up, Inc.									
	Program Services									
	Direct Service	Alumni	Grads of Life	Total Program Services	General and Administrative	Fundraising	Total	YUPRO	Eliminations	Total
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
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
Contractors wages, benefits and taxes	-	-	-	-	-	-	-	17,990,145	-	17,990,145
Total payroll 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
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
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
Occupancy	4,869,909	766	1,635	4,872,310	2,236,717	4,306	7,113,333	-	-	7,113,333
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
Depreciation	4,029,897	37,250	79,581	4,146,728	760,626	209,534	5,116,888	48,635	-	5,165,523
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
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
Travel, lodging and meals	199,514	14,318	30,992	244,824	48,430	51,470	344,724	43,638	-	388,362
Special events	69,724	1,336	421	71,481	13,867	135,196	220,544	-	-	220,544
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
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
Cost of Sales	-	-	-	-	-	-	-	(17,990,145)	-	(17,990,145)
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

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 forty-six fully operational programs across the following seventeen states and the District of Columbia: Massachusetts, Rhode Island, New York, California, Georgia, Illinois, Washington State, Florida, Pennsylvania, Arizona, Virginia, Texas, Delaware, North Carolina, New Jersey, Connecticut and Michigan.

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.

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 its first cohort of twenty young adults in 2002, Year Up has grown rapidly. Year Up has over 28,000 alumni as of February 2023. 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 Year Up's alumni work and programming.

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 28,000 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, 2022 and 2021. All significant intercompany balances and transactions have been eliminated (see Note K).

Recently Adopted Accounting Pronouncements

ASU 2016-02, Leases (Topic 842)

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the consolidating statement of financial position. Year Up elected to adopt *Topic 842* on January 1, 2022, using additional transition method provided in ASU 2018-11. Under this transition method, financial information related to years prior to adoption was as originally reported under the *Topic 840*.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

ASU 2016-02, Leases (Topic 842) (Continued)

Year Up elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed Year Up to carry forward the historical lease classification as operating or capital leases. Year Up also elected to combine lease and non-lease components and to exclude short-term leases from the consolidating statement of financial position. Year Up did not elect the hindsight practical expedient in determining the lease term for existing lease as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease assets and operating lease liabilities of $28,210,487 and $38,220,319, respectively. Year Up expects the impact of adoption to be immaterial to the consolidating statements of activities and cash flows on an ongoing basis. As part of the adoption, Year Up also modified its control procedures and processes, none of which materially affected their internal control over financial reporting.

The cumulative effect of the changes made to the consolidating statement of financial position for the adoption of the new lease standard as of January 1, 2022, was as follows:

Consolidating Statement of Financial Position	As Previously Reported	Effect of Adoption	As Adjusted
Operating lease right-of-use assets	$ -	$ 28,210,487	$ 28,210,487
Operating lease liabilities	$ -	$ 38,220,319	$ 38,220,319
Deferred rent - current	$ 1,204,257	$ (1,204,257)	$ -
Deferred rent - long-term	$ 8,805,575	$ (8,805,575)	$ -

ASU 2020-07, Non-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

During 2022, Year Up adopted FASB's ASU No. 2020-07, Non-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The adoption of this ASU did not impact Year Up's net asset classes, results of operations, or cash flows for the years ended December 31, 2022 and 2021. This ASU has been applied retrospectively to all periods presented.

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** - represent 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 L).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021 (see Note B - Investments in YUPRO).

Cash and Cash Equivalents

Cash and cash equivalents are held in money market 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 savings account which will be transferred into an endowment account in Year Up's investment portfolio in fiscal year 2023.

In-kind Goods and Services

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

In-kind goods and services revenue include the following items for the years ended December 31:

	2022	2021
Software licenses	$ 2,236,018	$ 2,005,146
Supplies and other	171,792	197,533
Legal services	168,080	110,540
Training fees	136,000	-
	$ 2,711,890	$ 2,313,219

Contributed software licenses received by Year Up are recorded as in-kind goods and services with a corresponding increase to technology and telecommunications expense. Year Up utilized fair market value prices which were provided by the organization which supplied the software licenses.

Contributed supplies and other received by Year Up are recorded as in-kind goods and services revenue with a corresponding increase to other expense. Year Up utilized three inventory valuation methods. These methods include (1) current price located on a publicly available website if the inventory item is a match for the website item when donated; (2) percentage of the price located on a publicly available website if the item donated has been used but the item located online is new; (3) the current average price located on a publicly available website for similar items if a group of items are donated and the items range in price depending on model, size, etc.

Year Up also received in-kind legal services and in-kind training fees which it utilized fair market value prices that were provided by the organizations which provided the services. In-kind goods and service revenue alongside legal expense was recorded for the legal services provided while for the training fees a student related direct costs expense was recorded.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Year Up primarily invests in assets with short-term maturities. Although investments have short-term maturities, investments held for endowment are reflected in the accompanying consolidating statements of financial position as long-term based on the underlying intent. 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 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Fees (Continued)

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.

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 loss - endowment, rental income from several subleases and investment in subsidiary. 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 does not bear interest. Internship receivable is shown at the net realizable amount. The beginning balance of internship receivable at January 1, 2020, was $10,535,691.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense

Advertising costs are expensed at the time they are incurred. Advertising expense for the years ended December 31, 2022 and 2021, was $3,131,221 and $2,336,137, respectively.

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. The Entity capitalizes additions in excess of $5,000 at cost or fair value, if donated. 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 $13,377,476 and $11,173,566 at December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, $1,477,417 and $1,701,660 related to software that had not reached the post-implementation stage, and therefore, is not 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.

Combining Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying consolidating statements of activities. All other activity is reported as non-operating.

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, 2022 and 2021. The Entity's information and tax returns are subject to examination by the Federal and state jurisdictions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes and Nonprofit Status (Continued)

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, YUPRO had state net operating loss carryforwards $142,000. As of December 31, 2022, the net operating loss carryforwards were used fully to offset taxable income. The tax benefit of the net operating loss carryforwards was immaterial to the consolidating financial statements and was not reflected.

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, 2022 and 2021, is approximately $315,000 and $627,000, 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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. 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 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.

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 are as follows as of December 31:

	2022	2021
Cash and cash equivalents	$ 51,527,789	$ 59,323,048
Internship receivable, net	23,327,918	11,664,009
Grants and pledges receivable	72,761,041	62,659,260
Investments	37,204,886	36,570,542
Total financial assets	184,821,634	170,216,859
Less:		
Grants and pledges receivable scheduled to be collected in more than one year	45,414,312	36,105,445
Restricted by donors for specific programs	16,533,968	16,993,751
Financial assets available to meet cash needs for general expenditures within one year	$ 122,873,354	$ 117,117,663

The available balance of approximately $122,900,000 and $117,700,000 at December 31, 2022 and 2021, respectively, represents approximately nine and ten months of operating expenses in 2022 and 2021, respectively. 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, 2022 and 2021, the Entity had $20,000,000 and $10,000,000, respectively, available from its lines of credit to meet cash flow needs (see Note I).

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:

2022	Level 1	Level 2	Level 3	Total
U.S. Treasury Fund	$ 177,982	$ -	$ -	$ 177,982
Equity funds:				
U.S. Large Cap	3,719,099	-	-	3,719,099
Other	5,193,143	-	-	5,193,143
Fixed income:				
Investment Grade Bonds	8,349,100	16,280,106	-	24,629,206
Global High Yield	4,267,084	-	-	4,267,084
Hedge funds *	-	-	-	2,111,342
Commodities	990,763	-	-	990,763
Total investments	$ 22,697,171	$ 16,280,106	$ -	$ 41,088,619

NOTE D - INVESTMENTS (Continued)

2021	Level 1	Level 2	Level 3	Total
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
Global High Yield	3,929,737	-	-	3,929,737
Hedge funds *	-	-	-	2,107,977
Commodities	1,090,101	-	-	1,090,101
Total investments	$ 20,783,796	$ 13,678,769	$ -	$ 36,570,542

* 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:

	2022	2021
Investment interest and dividends	$ 1,019,120	$ 927,404
Net realized gain (loss) on sale of investments	(963,307)	1,124,449
Net unrealized loss on investments	(3,804,083)	(415,572)
Investment management fees	(147,403)	(111,074)
	$ (3,895,673)	$ 1,525,207

NOTE E - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at December 31, 2022 and 2021, are expected to be collected in the following periods:

	2022	2021
Grants and pledges receivable due in one year	$ 28,986,087	$ 26,655,753
Pledge receivable due between one and five years	49,435,000	36,727,333
Total grants and pledges receivable	78,421,087	63,383,086
Less - present value discount	5,270,688	621,888
Less - allowance for doubtful accounts	389,358	101,938
Grants and pledges receivable, net	$ 72,761,041	$ 62,659,260

At December 31, 2022, included in the pledges due in less than one year is $1,250,000 of endowment pledges due in fiscal year 2023. In the accompanying 2022 consolidating statement of financial position, this has been classified in long-term grants and pledges receivable based on the endowment restriction (see Note L).

The present value discount was calculated using a discount factor, which ranged from .73% to 4.41%.

NOTE F - CONDITIONAL GRANTS

At December 31, 2022, Year Up had received grants and contributions totaling $52,380,128 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, 2022, consists of:

General operating support subject to other conditions	$ 43,118,209
Subject to matching and measurable performance barriers	9,080,500
Incurring qualifying expenses	181,419
Total conditional promises to give	$ 52,380,128

These conditions are expected to be satisfied at various times through fiscal year 2027, at which time they will be recognized as revenue.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Leasehold improvements	$ 20,655,752	$ 20,802,556
Computer equipment	3,034,028	9,526,464
Furniture and fixtures	1,576,107	2,122,047
Software	11,900,059	9,471,906
Software development	1,477,417	1,701,660
	38,643,363	43,624,633
Less - accumulated depreciation	23,975,345	27,273,079
Property and equipment, net	$ 14,668,018	$ 16,351,554

For the years ended December 31, 2022 and 2021, the Entity expensed $4,878,483 and $5,165,523, respectively, of depreciation.

Year Up has ongoing software development projects as of December 31, 2022 and 2021. These projects are expected to be completed and placed in service during 2023, at which point Year Up will begin depreciating these assets.

NOTE H - OPERATING LEASES

Year Up determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. Year Up determines these assets are leased because Year Up has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases result in the recognition of ROU assets and lease liabilities on the consolidating statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Year Up determines lease classification as operating or finance at the later of January 1, 2022, or the lease commencement date.

NOTE H - OPERATING LEASES (Continued)

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Year Up uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, Year Up uses the risk-free rate based on the information available at the later of January 1, 2022, or the commencement date to determine the present value of lease payments. The risk-free rates used to determine the present value of lease payments were derived by reference to the U.S. Department of the Treasury daily Treasury rates.

The lease term may include options to extend or to terminate the lease that Year Up is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Year Up has elected not to record leases with an initial term of twelve months or less on the consolidating statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Year Up has nine leases for office space that expire through 2030. These leases generally contain renewal options for periods ranging from two years to five years and require the Entity to pay all executory costs (property taxes, maintenance and insurance). One operating lease includes an escalating fee schedule, which range from a 25% to 33% increase for specific years. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Year Up rents or subleases certain real estate to third parties. Year Up's sublease portfolio consists mainly of operating leases with two tenants. For the years ended December 31, 2022 and 2021, Year Up earned approximately $653,000 and $547,000, respectively, in sublease income, which is included in other income in the accompanying consolidating statements of activities.

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.

Year Up recorded rent on a straight-line basis over the terms of the leases in accordance with ASU *Topic 840, Leases*, through fiscal year 2021. Any difference between cash payments in the lease agreements and the related expense for a given year was recorded as deferred rent.

The following is a schedule of future minimum lease payments in accordance with the lease agreements as of December 31, 2021:

Year Ending December 31	
2022	$ 7,043,063
2023	7,102,160
2024	6,585,390
2025	5,965,305
2026	5,226,562
Thereafter	8,916,230
Total	$ 40,838,710

NOTE H - OPERATING LEASES (Continued)

The following summarizes the line items in the accompanying consolidating statement of financial position which include amounts for operating leases as of December 31, 2022:

Operating Leases:	
Operating lease right-of-use assets	$ 23,164,190
Operating lease liabilities, current portion	$ 7,187,271
Operating lease liabilities	24,701,466
Total operating lease liabilities	$ 31,888,737
Lease Costs (included in occupancy expenses):	
Operating lease cost	$ 5,861,005
Add - variable lease cost	1,335,222
Add - short-term costs	24,893
Total lease costs	$ 7,221,120
Other Information:	
Cash paid for amounts included in measuring operating lease liabilities:	
Operating cash flows from operating leases	$ 7,063,631
Lease assets obtained in exchange for lease obligations:	
Operating leases	$ 299,855
Weighted-average remaining lease term (years)	8.1
Weighted-average discount rate	2.51%

The maturities of lease liabilities as of December 31, 2022, were as follows:

Year Ending December 31	
2023	$ 7,187,271
2024	6,622,420
2025	6,057,770
2026	5,238,562
2027	2,912,034
Thereafter	6,010,556
Total future undiscounted lease payments	34,028,613
Less - present value discount/interest	(2,139,876)
Present value of lease liabilities	$ 31,888,737

NOTE I - LINES OF CREDIT

Year Up has a revolving line of credit agreement with a bank in the amount of $20,000,000. Prior to May 2022, the line of credit available was $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 26, 2023). 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. The interest rate is a rate per year equal to the sum of (i) the greater of the BSBY (Bloomberg Short-Term Bank Yield) Daily Floating Rate or the Index Floor, plus (ii) 0.75 percentage point(s). For purposes of the agreement, “Index Floor” means 0.25 percent. Year Up agrees to pay an Unused Commitment Fee at 0.125% per year on the difference between $20,000,000 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 did not borrow from the line of credit during 2022 or 2021. There were no outstanding balances at December 31, 2022 or 2021. The line of credit agreement contains various covenants. Year Up was in compliance with these covenants at December 31, 2022 and 2021. This line of credit is subject to an annual renewal.

During 2021, 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 J - 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 2022 and 2021, 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, 2022 and 2021, Year Up contributed $3,172,991 and $2,859,355, respectively. These amounts are included in fringe benefits and taxes in the accompanying consolidating statements of functional expenses.

NOTE K - RELATED PARTY TRANSACTIONS

At December 31, 2022 and 2021, the balance outstanding of pledges receivable from National Board members of Year Up were approximately $12,800,000 and $17,200,000, 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 $168,080 and $100,134 for the years ended December 31, 2022 and 2021, respectively. This member abstains from discussions on matters surrounding his firm, as required by Year Up’s conflict of interest policy.

NOTE K - RELATED PARTY TRANSACTIONS (Continued)

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, 2022 and 2021, Year Up paid YUPRO $970,220 and $617,383, respectively, which are included in student related direct costs and consultants and professional services in the accompanying consolidating financial statements. These amounts have been eliminated in the accompanying 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, 2022 and 2021, Year Up earned a fee of $306,587 and $126,838, 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.

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 accompanying consolidating financial statements.

NOTE L - NET ASSETS

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

	2022	2021
Time restricted	$ 56,338,354	$ 61,940,376
Program restricted	19,269,467	16,993,751
Endowment	15,450,696	4,300,000
	$ 91,058,517	$ 83,234,127

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

	2022	2021
Time restricted	$ 38,515,862	$ 17,936,361
Program restricted	9,966,203	10,437,466
	$ 48,482,065	$ 28,373,827

NOTE L - NET ASSETS (Continued)

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.

In 2021, Year Up launched its newest capital campaign, Opportunity Campaign IV (OCIV). This five-year $400,000,000 comprehensive campaign is supporting growth, innovation, impact and operations through 2026 (2021-2025). Year Up raised $161,400,000 in commitments as of December 31, 2021, and raised an additional $119,600,000 in commitments in fiscal year 2022, bringing total commitments to $281,000,000. Of the 2022 campaign funds, $31,000,000 is conditional, and therefore, not reflected in the accompanying consolidating statements of activities.

Endowment

Year Up follows 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 (UPMIFA), and Enhanced Disclosures for All Endowment Funds* (the Act). The Act provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations. Under the Act, subject to the intent a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic-dollar-value". Deficiencies of this nature are reported by a change to net assets with donor restriction. As of December 31, 2022, certain donor-restricted endowment funds of the Fund had fallen below the thresholds-dollar-value by approximately $416,000. There were no funds that had fallen below the historical dollar value at December 31, 2021.

Endowment Investment Policy

Year Up's Board has adopted investment and spending policies for endowment assets that attempt to provide predictable streams of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks the preservation of principal and optimization of total return within a framework of moderate risk. Endowment assets are invested in mutual fund accounts that include a well-diversified asset mix of equity and debt securities that is intended to result in consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment funds: investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. *The Spending Policy* of the Investment Policy Statement allows for 4.5% of the average of trailing one year market value. No appropriations were made from the endowments as of December 31, 2022 and 2021.

NOTE L - NET ASSETS (Continued)

Endowment (Continued)

A reconciliation of endowment activity is as follows:

	2022	2021
Endowment net assets, beginning of year	$ 4,300,000	$ -
Contribution	12,500,000	4,300,000
Discount on pledges	(933,037)	-
Investment loss	(416,267)	-
Endowment net assets, end of year	$ 15,450,696	$ 4,300,000

Year Up's endowment consists of funds from five and one donor(s) at December 31, 2022 and 2021, respectively. A portion of the endowment totaling to $14,800,000 is to be used to sponsor various alumni and cohort support. The remaining portion totaling to $2,000,000 is for the purpose of providing support to sponsor Year Up's overall mission.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 14, 2023, 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 N - 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:

	2022		2021	
Donor	**Total Contributions and Grants**	**Total Grant and Pledges Receivable**	**Total Contributions and Grants**	**Total Grant and Pledges Receivable**
A	30%	27%	- %	- %
B	12%	11%	- %	- %
C	- %	12%	13%	19%
D	- %	12%	13%	19%

NOTE N - CONCENTRATIONS (Continued)

Funding (Continued)

	2022		2021	
Corporate Partner	**Total Program Service Fees**	**Internship Receivable**	**Total Program Service Fees**	**Internship Receivable**
E	13%	34%	13%	23%
F	10%	- %	9%	- %

NOTE O - 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.

NOTE P - 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 covert 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 2022 and 2021, the undeclared dividends from this transaction aggregated to $400,000 and $200,000 which is not reflected in the accompanying consolidating financial statements since the aforementioned condition was not met.

NOTE P - REDEEMABLE PREFERRED STOCK (Continued)

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 consolidating statements 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 Q - RECLASSIFICATIONS

Certain amounts in fiscal year 2021 consolidating financial statements have been reclassified to conform with the fiscal year 2022 presentation.