



FINANCIAL STATEMENTS

December 31, 2023 and 2022

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Upturn, Inc.  
Washington, D.C.

We have audited the financial statements of Upturn, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Upturn, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its 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 Upturn, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Upturn, Inc.'s ability to continue as a going concern within one year after the date that the 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 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 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 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 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 Upturn, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upturn, Inc.'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.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Alexandria, Virginia  
May 23, 2024

**UPTURN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,488,369	\$ 2,710,466
Current portion of unconditional promises to give	1,170,000	1,270,000
Accounts receivable	-	12,288
Employee reimbursements	1,464	352
Prepaid expenses	<u>7,375</u>	<u>13,812</u>
Total current assets	3,667,208	4,006,918
<b>OTHER ASSETS</b>		
Unconditional promises to give less current portion	1,588,997	2,338,962
Security deposit	<u>6,760</u>	<u>6,760</u>
Total other assets	<u>1,595,757</u>	<u>2,345,722</u>
<b>Total assets</b>	<u><u>\$ 5,262,965</u></u>	<u><u>\$ 6,352,640</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 20,176	\$ 11,190
Accrued payroll	<u>113,293</u>	<u>45,308</u>
Total liabilities	133,469	56,498
<b>NET ASSETS</b>		
Without donor restrictions	1,301,147	1,706,289
With donor restrictions	<u>3,828,349</u>	<u>4,589,853</u>
Total net assets	<u>5,129,496</u>	<u>6,296,142</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 5,262,965</u></u>	<u><u>\$ 6,352,640</u></u>

See accompanying notes.

**UPTURN, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 28,917	\$ 743,419	\$ 772,336
Interest	52,477	-	52,477
Miscellaneous	2,834	-	2,834
Total support and revenue	84,228	743,419	827,647
<b>EXPENSES</b>			
Program services	1,746,858	-	1,746,858
Management and general	232,389	-	232,389
Fundraising	15,046	-	15,046
Total expenses	1,994,293	-	1,994,293
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Expiration of time restrictions	1,098,160	(1,098,160)	-
Satisfaction of purpose restrictions	406,763	(406,763)	-
Net assets released from restrictions	1,504,923	(1,504,923)	-
<b>Change in net assets</b>	(405,142)	(761,504)	(1,166,646)
Net assets at beginning of year	1,706,289	4,589,853	6,296,142
<b>Net assets at end of year</b>	<b>\$ 1,301,147</b>	<b>\$ 3,828,349</b>	<b>\$ 5,129,496</b>

See accompanying notes.

**UPTURN, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ -	\$ 3,761,223	\$ 3,761,223
Fees for service	10,488	-	10,488
Interest	1,860	-	1,860
Miscellaneous	4,581	-	4,581
Total support and revenue	16,929	3,761,223	3,778,152
<b>EXPENSES</b>			
Program services	1,575,791	-	1,575,791
Management and general	194,665	-	194,665
Fundraising	10,938	-	10,938
Total expenses	1,781,394	-	1,781,394
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Expiration of time restrictions	1,579,075	(1,579,075)	-
Satisfaction of purpose restrictions	332,005	(332,005)	-
Net assets released from restrictions	1,911,080	(1,911,080)	-
<b>Change in net assets</b>	146,615	1,850,143	1,996,758
Net assets at beginning of year	1,559,674	2,739,710	4,299,384
<b>Net assets at end of year</b>	<u>\$ 1,706,289</u>	<u>\$ 4,589,853</u>	<u>\$ 6,296,142</u>

See accompanying notes.

**UPTURN, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended December 31, 2023 and 2022

	2023			
	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 1,651,733	\$ 109,459	\$ 14,874	\$ 1,776,066
Professional fees	10,957	76,093	-	87,050
Office expenses	9,397	23,723	-	33,120
Conferences and meetings	12,359	2,692	-	15,051
Insurance	-	2,196	-	2,196
Occupancy	19,120	1,267	172	20,559
Information technology	1,137	14,993	-	16,130
Travel	42,155	-	-	42,155
Subscriptions	-	1,966	-	1,966
<b>Total expenses</b>	<b>\$ 1,746,858</b>	<b>\$ 232,389</b>	<b>\$ 15,046</b>	<b>\$ 1,994,293</b>
	2022			
	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 1,467,715	\$ 88,547	\$ 10,652	\$ 1,566,914
Professional fees	31,035	66,811	-	97,846
Office expenses	13,891	15,362	-	29,253
Conferences and meetings	6,801	4,871	-	11,672
Insurance	-	1,979	-	1,979
Occupancy	39,404	2,377	286	42,067
Information technology	670	13,386	-	14,056
Travel	16,275	-	-	16,275
Subscriptions	-	1,332	-	1,332
<b>Total expenses</b>	<b>\$ 1,575,791</b>	<b>\$ 194,665</b>	<b>\$ 10,938</b>	<b>\$ 1,781,394</b>

See accompanying notes.



**UPTURN, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,166,646)	\$ 1,996,758
Adjustments to reconcile change in net assets to net change in cash		
Change in discount on unconditional promises to give	(120,035)	(8,674)
(Increase) decrease in assets		
Unconditional promises to give	970,000	(2,432,549)
Accounts receivable	12,288	21,779
Employee reimbursements	(1,112)	(352)
Prepaid expenses	6,437	(8,149)
Security deposit	-	(5,260)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	8,986	(2,586)
Accrued payroll	67,985	(11,000)
<b>Net change in cash</b>	<b>(222,097)</b>	<b>(450,033)</b>
Cash at beginning of year	2,710,466	3,160,499
<b>Cash at end of year</b>	<b>\$ 2,488,369</b>	<b>\$ 2,710,466</b>

See accompanying notes.

**UPTURN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

Upturn, Inc. is a not-for-profit organization located in the District of Columbia. Upturn promotes equity and justice in the design, governance, and use of digital technology. Upturn's research and advocacy combines technical fluency and creative policy thinking to confront patterns of inequity, especially those rooted in race and poverty. Upturn works in partnership with many of the nation's leading civil rights and public interest organizations addressing a variety of issues, including safety & justice, markets & opportunity, open & secure communication, and decisions, automation, and power. Upturn is supported primarily through grants and contributions.

**Promises to Give**

Conditional promises to give are not recognized in the financial statements until the conditional are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**Accounts Receivable**

Accounts receivable represent amounts billed under fees for service arrangements. Upturn uses historical loss information based on the aging of accounts receivable as the basis to determine expected credit losses. Management believes the composition of accounts receivable is consistent with historical conditions and accounts receivable are expected to be settled within a relatively short time frame based on current conditions. As such, credit losses are expected to be insignificant.

**Contributions and Grants**

Contributions and grants received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Fees for Services**

Fees for services are earned for consulting work performed under service agreements. Upturn performs activities related to consulting, primarily through payroll, and bills the customer for the work performed. Revenue is recorded at the time of billing.

**UPTURN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and occupancy which are allocated on the basis of estimates of time and effort.

**Leases**

Upturn does not recognize short-term leases in the statements of financial position. For these leases, Upturn recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Upturn also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Upturn uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

**Income Tax Status**

Upturn is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Upturn qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through May 23, 2024, the date which the financial statements were available to be issued.

NOTE 2—LEASE

Upturn leases office space in Washington, D.C., under an operating lease that is on a month-to-month basis. For the years ended December 31, 2023 and 2022, lease cost for this lease totaled \$20,559 and \$42,067, respectively.

**UPTURN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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NOTE 3—PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 1,170,000	\$ 1,270,000
Receivable in one to five years	<u>1,720,000</u>	<u>2,590,000</u>
Total unconditional promises to give	2,890,000	3,860,000
Less discounts to present value	<u>(131,003)</u>	<u>(251,038)</u>
Unconditional promises to give	<u><u>\$ 2,758,997</u></u>	<u><u>\$ 3,608,962</u></u>

Unconditional promises to give receivable in more than one year are discounted at rates ranging from 0.71% to 4.51% depending on the time the promise was made.

NOTE 4—RETIREMENT PLAN

Upturn sponsors a tax-sheltered annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of Upturn. Upturn contributes 10% of gross salaries to the plan for qualified employees. For the years ended December 31, 2023 and 2022, employer contributions to the plan totaled \$140,004 and \$122,323, respectively.

NOTE 5—NET ASSETS

At December 31, 2023 and 2022, net assets without donor restrictions consists of \$1,047,108 and \$865,374, respectively, designated as an operating reserve by the board of directors.

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subsequent years' operations	\$ 3,371,191	\$ 3,838,406
AI focused policy	25,000	-
Core support for institutional strengthening	<u>432,158</u>	<u>751,447</u>
Net assets with donor restrictions	<u><u>\$ 3,828,349</u></u>	<u><u>\$ 4,589,853</u></u>

**UPTURN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**NOTE 6—LIQUIDITY AND AVAILABILITY**

The following reflects Upturn's financial assets as of the date of the statements of financial position, reduced by amounts not available for general expenditure within one year of the date of the statements of financial position because of donor-imposed or other restrictions or internal designations.

	2023	2022
Financial assets at year-end	\$ 5,248,830	\$ 6,332,068
Less those unavailable for general expenditures within one year, due to:		
Designated by the board of directors as an operating reserve	(1,047,108)	(865,374)
Restricted by donor with time or purpose restrictions	(1,588,997)	(2,338,962)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,612,725	\$ 3,127,732

Included in financial assets unavailable for general expenditures within one year at December 31, 2023 and 2022 are \$1,047,108 and \$865,374, respectively designated by the board of directors as an operating reserve, however these amounts could be made available for use, subject to board approval. Upturn is substantially supported by restricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Upturn must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. Unconditional promises to give expected to be collected within one year that do not contain donor purpose restrictions are available for general expenditures. As part of Upturn's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 7—CONCENTRATIONS**

Contributions

For the year ended December 31, 2023, effectively all of Upturn's contributions and grants were provided by three donors. For the year ended December 31, 2022, effectively all of Upturn's contributions and grants were provided by one donor.

Credit Risk

Upturn maintains its cash balances in one financial institution located in Washington, D.C. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Throughout the year, Upturn's cash balances exceed the FDIC insurance amount. At December 31, 2023 and 2022, Upturn's uninsured cash balances totaled approximately \$1,990,000 and \$2,460,000, respectively.