

**Upstream Alliance, Inc**

**Report on Examination of Financial Statements – Modified Cash Basis  
For the Year Ended December 31, 2022**

**KLOSTERMAN & ASSOCIATES**  
**Certified Public Accountants**

**To the Board of Directors  
Upstream Alliance, Inc.  
Annapolis, Maryland**

**We have audited the accompanying statement of financial position – modified cash basis of Upstream Alliance, Inc. (a nonprofit organization) as of December 31, 2022, and the related statements of activities and changes in net assets – modified cash basis, statement of functional expenses – modified cash basis, and statement of cash flows – modified cash basis for the year then ended. These financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these financial statements based on our audit.**

**We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.**

**As described in note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of Upstream Alliance, Inc. as of December 31, 2022 and its statement of activities and changes in net assets – modified cash basis, statement of functional expenses – modified cash basis, and its statement of cash flows – modified cash basis, for the year then ended, on the basis of accounting described in note 1.**

*Klosterman & Associates*

**Severna Park, Maryland  
May 15, 2023**

**UPSTREAM ALLIANCE , INC.**  
**STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS**  
**December 31, 2022**

**ASSETS**

**Current Assets**

Cash and cash equivalents (Note 1 & 6)	\$ 713,612
Restricted cash - grants (Note 12)	47,004
Investments, at market value (Notes 1 & 3)	<u>19,624</u>
Total current assets	<u>780,240</u>

Property and equipment at cost, less accumulated depreciation (Notes 1 & 2)	9,195
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**Other Assets**

Restricted cash - vessel construction (Notes 1 & 12)	1,127,200
Construction in progress - vessel (Note 12)	30,000
Other assets	<u>1,284</u>

<b>Total Assets</b>	<b><u>\$ 1,947,919</u></b>
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**LIABILITIES**

**Current Liabilities**

Payroll taxes payable	\$ 8,660
Retirement payable	<u>3,171</u>
Total current liabilities	<u>11,831</u>

**COMMITMENTS (Note 8)**

**NET ASSETS**

<b>Net assets without donor restrictions (Note 11)</b>	
Unrestricted assets	560,447
Board restricted assets (Note 6)	<u>201,437</u>
Total net assets without donor restrictions	761,884
<b>Net assets with donor restrictions (Note 12)</b>	<u>1,174,204</u>
Total net assets	<u>1,936,088</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,947,919</u></b>

See accompanying notes.

**UPSTREAM ALLIANCE , INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2022**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

Revenues, gains and other support	
Contributions	\$ 383,039
Other income	5,402
	<u>388,441</u>
Net assets released from restrictions	<u>429,486</u>
Total revenue, gains and other support	<u>817,927</u>
Expenses from operating activity	
Educational Environmental Expeditions	537,813
Management and General	38,482
Fundraising Expenses	53,442
Total Expenses	<u>629,737</u>
Increase in net assets from operating activity	188,190
Non-operating gains and losses	
Investment return (Note 3)	<u>(6,428)</u>
Increase in net assets without donor restrictions	181,762
Net assets, beginning of year	<u>580,122</u>
Net assets, end of year	<u>\$ 761,884</u>

**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

Contributions - Grants	\$ 448,714
Net assets released from restrictions	
Restrictions satisfied by payments	(429,486)
Released from restriction	<u>-</u>
Increase in net assets with donor restrictions	19,228
Net assets, beginning of year	<u>1,154,976</u>
Net assets, end of year	<u>\$ 1,174,204</u>

See accompanying notes.

**UPSTREAM ALLIANCE , INC.**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2022**

**CASH FLOWS FROM OPERATIONS**

Contributions - Grants	\$ 447,186
Contributions - other	383,039
Other income	5,402
Investment income	406
Educational/Environmental Expeditions	(529,465)
Management & General	(37,308)
Fund raising expenses	<u>(53,442)</u>
Net cash from operations	<u>215,818</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Construction - electric vessel	(20,000)
Purchase of fixed assets	<u>(959)</u>
Net cash from investing	<u>(20,959)</u>

Net increase in cash	194,859
Cash balance - beginning of year	<u>1,692,957</u>
Cash balance - end of year	<u>\$ 1,887,816</u>

See accompanying notes.

**UPSTREAM ALLIANCE , INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2022**

	<b>Educational Environmental Expeditions</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Conference & Registration Fees	\$ 412	\$ 14	\$ -	\$ 426
Depreciation Expense (Note 2)	4,293	836	-	5,129
Insurance - Liability	2,528	-	-	2,528
Marketing/Promotion	5,210	1,848	2,117	9,175
Meals & Entertainment	57	-	346	403
Bank Charges	2	400	-	402
Computer Expense	-	230	-	230
Dues and Subscriptions	2,168	3,495	2,999	8,662
Office Rental Expense (Note 5)	7,800	-	-	7,800
Telephone Expense	439	2,671	-	3,110
Payroll Taxes	20,445	-	2,244	22,689
Professional Fees	-	12,742	-	12,742
Events - Meal Expense	14,347	-	-	14,347
Events - Rental Expense (Note 8)	38,005	-	-	38,005
Employee Benefits (Note 4)	-	14,356	450	14,806
Salary & Wages	256,258	-	28,125	284,383
Subcontractors expense	63,995	-	8,500	72,495
Printing expense	4,807	429	3,916	9,152
Repair and maintenance	165	2	-	167
Shipping and mailing	343	444	2,780	3,567
Subgrants (Note 5)	82,117	-	-	82,117
Supplies expense	8,091	715	1,188	9,994
Taxes - other	-	300	-	300
Travel Accomodations	6,208	-	244	6,452
Travel Meals	1,954	-	113	2,067
Transportation Expense	18,169	-	420	18,589
Trip Equipment	-	-	-	-
	<b>\$ 537,813</b>	<b>\$ 38,482</b>	<b>\$ 53,442</b>	<b>\$ 629,737</b>

See accompanying notes.

**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Upstream Alliance, Inc. ("Organization") is a non-profit 501(c)(3) organization incorporated in the State of Maryland on January 2015. The Organization was formed to connect people to nature by educating and inspiring them to promote a healthy relationship between humans and the environment. The Organization is supported through donor contributions and grants. Its activities are conducted primarily in the Mid-Atlantic region of the United States.

**Financial Statement Presentation**

The financial statements present balances and transactions classified based upon the existence or absence of donor imposed restrictions. Net assets, revenue, contributed support, expenses, gains and losses have been classified into two net asset classes based on these donor imposed restrictions. A description of each net asset class follows:

**Without Donor Restrictions** – Net assets that are not subject to donor imposed restrictions including the carrying value of all property, furniture and equipment. Items that affect this category of net assets include contributions, grants, and bequests without donor restrictions, contributions with donor restrictions and grants or bequests whose donor imposed restrictions were met during the fiscal year and investment income whose use is without donor restrictions, as well as all expenses incurred in connection with the operations of the Organization. Certain funds, set aside by Board of Director action are included in net assets without donor restrictions.

**With Donor Restrictions** – Net assets subject to donor imposed restrictions that will be met either by actions of the Organization or the passage of time. Items in this net asset category are contributions, bequests, grants and investment income whose use is limited to specific purposes by the donor. These amounts are reclassified when such restrictions are met or when time restrictions have expired.

Net assets that are subject to donor imposed restrictions which require them to be maintained permanently by the Organization. Items in this net asset category include gifts where donors have stipulated that the corpus is to be held in perpetuity and only the income can be made available for purposes without donor restrictions.

**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**December 31, 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Cash Basis of Accounting**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, Upstream has not recognized pledges, promises to give, or grant receivables from donors or accounts payable to vendors, and their related effect on the change in net assets in the accompanying financial statements. The modified cash basis falls under the Special Purpose Framework standards of the Financial Accounting Standards Board.

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$750. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated using accelerated tax methods (MACRS) over the assets estimated useful lives ranging from 5 to 7 years.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Upstream maintains cash balances at financial institutions that exceed federally insured limits by \$1,165,189. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. Cash in the amount of \$1,127,200 has been restricted for use in the construction of an electric vessel and is not available for operating purposes.

**Donated Services**

Upstream Alliance, Inc. is the beneficiary of the services of many volunteers, without which the organization would not be able to carry on its many functions and services. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116, "Accounting for Contributions Received and Contributions Made" have not been satisfied. While no value is specifically assigned to any of these services, the loss of volunteers could have a material negative financial impact on the organization.



**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**December 31, 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a public charity and not a private foundation. There were no unrelated taxable business income activities during the year ended December 31, 2022.

**Investments and Related Income, Gains, and Losses**

Investments are reported at fair value and consist of stocks. The cost of securities sold (if any) is based on the specific identification method. Investment income, gains and losses, and any investment related expenses are recorded as changes in net assets without donor restrictions in the statement of activities unless their use is restricted by explicit donor stipulations.

**Revenue, Expenses, and Contributions**

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of net assets with donor restrictions (i.e. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions are recognized in the period received. Conditional contributions are not recognized until the conditions on which they depend are substantially met. Contributions of cash that must be used to acquire or construct property and equipment are reported as contributions with donor restrictions and are not available for operating purposes. Contributions of assets other than cash are recorded at estimated fair value.

Contributions received with donor imposed restrictions are reported as revenue of the net asset class with donor restrictions, as appropriate. Contributions of land, buildings, and equipment without donor imposed restrictions concerning the use of such long-lived assets are reported as revenue of net assets without donor restrictions.

**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**December 31, 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Statement Presentation**

The Organization has adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14 (ASU 2016-14), Not-for-Profit Entities: Topic 958. The amendments in this update affect not-for-profit entities (NFPs) and the users of their general purpose financial statements. The amendments in this update make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit organization's liquidity, financial performance, and cash flows.

**Cost Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Allocable expenses include compensation and benefits which are allocated on the basis of estimates of time and effort, as well as depreciation which is allocated based on where the assets are used. Other expenses are allocated based on reasonable criteria related to the specific expense.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Camping Equipment	\$ 38,153
Photography Equipment	4,531
Computer Equipment	<u>2,655</u>
Total	45,339
Accumulated Depreciation	<u>36,144</u>
	\$ <u>9,195</u>
Depreciation Expense	\$ <u>5,129</u>

**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**December 31, 2022**

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments consist of stock and are reported at fair value based on readily determinable market values using quoted market close prices. Fair value is the price that would be received for an asset in an orderly transaction between market participants on the measurement date.

The following schedule summarizes the unrestricted investment return for 2022:

Interest income	\$ 407
Dividend income	193
Unrealized loss	<u>(7,028)</u>
Total investment return	\$ <u>(6,428)</u>

**NOTE 4 – PENSION PLAN**

The Company has established a tax-sheltered retirement plan known as a SIMPLE (Savings Incentive Match Plan for Employees) IRA for all employees meeting eligibility requirements. Based on age, participants in the plan can defer up to \$16,500 of their earnings each year. The Company provides a match equal to the lesser of 3% of the employee's annual salary or the amount contributed by the employee. Pension expense was \$14,806 for the year ended December 31, 2022.

**NOTE 5 – RELATED PARTY**

The President of Upstream Alliance, Inc. ("UA") is also President and owner of Environmental Leadership Strategies ("ELS"). Grants received by UA from the William Penn Foundation in the amount of \$34,417 were re-granted to ELS for work related to the Discover the Delaware project that was outside the purview of UA.

The President of UA also provides use of his sailboat located in Philadelphia PA to be used as a remote office for which the organization pays a monthly fee of \$650. Total rent expense for 2022 was \$7,800.

**NOTE 6 – BOARD RESTRICTED ASSETS**

A reserve has been established by the Board of Directors to accumulate cash and provide a "rainy day" fund to provide cash to Upstream in support of the organization's operating requirements in the event of a future funding shortfall. The target amount for the reserve fund is equivalent to six months of average recurring fixed operating costs. Unrestricted donations in the amount of \$50,000/year have been received and deposited in a separate savings account for the years 2019-2022. The account balance at December 31, 2022 was \$201,437.

**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**December 31, 2022**

**NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 15, 2023, the date which the financial statements were available to be issued.

**NOTE 8 – COMMITMENTS**

**Operating Leases**

The organization has a \$175 month-to-month rental agreement for storage space that is used to house the camping gear owned by UA. Other rental expense includes short-term equipment rentals used for river expeditions. Total rent expense for the year 2022 was \$38,005.

**NOTE 9 – IN-KIND CONTRIBUTIONS**

The organization's employee's work from home offices and the books and records of UA are stored at these locations. No rent expense has been recorded in the financial statements of the organization to reflect the value of this rent benefit.

**NOTE 10 – LIQUIDITY AND AVAILABILITY**

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. With approval of the Board, board restricted assets could be made available to provide additional liquidity for current operations.

The Organization's financial assets available within one year of the statement of financial position – modified cash basis date for general expenditures are as follows:

Financial assets at year-end	\$ 1,907,440
Less Board restricted funds	201,437
Less funds subject to satisfaction of donor restrictions	<u>1,174,204</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>531,799</u>

**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**December 31, 2022**

**NOTE 11 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets at December 31, 2022 consist of the following:

Unrestricted and undesignated	\$ 560,447
Board restricted assets	<u>201,437</u>
	<b>\$ <u>761,884</u></b>

**NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets at December 31, 2022 consist of the following:

Kellogg Foundation – Electric Vessel	\$ 1,127,160
Natl Fish & Wildlife Foundation	13,666
Camden Education Project/Tenacre	<u>33,378</u>
	<b>\$ <u>1,174,204</u></b>

In October 2021, the organization received a grant in the amount of \$1,157,200 from the New Jersey Conservation Foundation for the design and construction of an electric vessel. The vessel will be used primarily on the Delaware River in connection with the organization's Discover the Delaware Collaborative that was started in 2018. The vessel will be used to take school children, families, community members, and influential individuals on environmental outings to enhance the goals of the Discover the Delaware project. To date, \$30,000 of the grant amount has been expended for design and drawings, the remaining cash in the amount of \$1,127,200 is shown on the statement of financial position as restricted.

Upstream Alliance, Inc. will receive an additional \$405,300 when the vessel's construction is at least 50% complete. The additional funding will be used for operation and maintenance of the vessel and is expected to be received in 2024. Any savings on construction costs can be shifted to the operations phase of the project. Any construction cost overruns would be deducted from the amount provided for the operation and maintenance phase. Unexpended funds remaining after 5 years may be required to be returned to the donor.

The organization received a three year grant from the William Penn Foundation (through the New Jersey Conservation Foundation) covering the grant period 5/1/21 – 4/30/24 in the amount of \$202,500 to be received in three annual installments of \$67,500 beginning in 2021. The purpose of the grant is to facilitate the Discover the Delaware partnership by providing on-water experiences to build connections and support for Camden's waterways among community members and leaders. A portion of the grant (\$34,417) was re-granted to Environmental Leadership Strategies (a related party) for work performed outside the purview of the organization.

**UPSTREAM ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**December 31, 2022**

**NOTE 12– NET ASSETS WITH DONOR RESTRICTIONS**

The National Fish and Wildlife Foundation awarded a grant in the amount of \$500,000 that covers the period October 20, 2021 through October 20, 2023. The purpose of the grant is to engage members of the Camden NJ community through hands-on recreational programming, hiring of local youths, and promotion of public access on the Cooper River. The grant also provides for preliminary work to begin habitat restoration for migratory American shad and river herring. Sub-grants in the amount of \$249,123 will be made to five (5) organizations to perform activities outside the scope of Upstream Alliance, Inc. The grant is considered to be an exchange transaction. Accordingly, revenue is recognized monthly when received and expenses are recognized when paid. Total revenue received in 2022 was \$116,114. Sub-grants paid in 2022 was \$42,701.

The organization was awarded a \$350,000 grant spanning a three year period beginning in 2022 for continued education programs to design and develop an on-water environmental education program for Camden NJ students. Total grant funds received in 2022 amounted to \$116,600.