

Upstream Alliance, Inc

**Report on Examination of Financial Statements – Modified Cash Basis
For the Year Ended December 31, 2021**

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, 2021, 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, 2021 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
October 15, 2022**

UPSTREAM ALLIANCE , INC.
STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS
December 31, 2021

ASSETS

Current Assets

Cash and cash equivalents (Note 1)	\$ 545,732
Investments, at market value (Notes 1 & 3)	<u>24,931</u>
Total current assets	<u>570,663</u>

Property and equipment at cost, less
accumulated depreciation (Notes 1 & 2)

13,364

Other Assets

Cash restricted to construction of vessel (Note 12)	1,147,225
Construction deposit (Note 12)	10,000
Other assets	<u>576</u>

Total Assets

\$ 1,741,828

LIABILITIES

Current Liabilities

Payroll taxes payable	\$ 3,897
Retirement payable	<u>2,833</u>
Total current liabilities	<u>6,730</u>

COMMITMENTS (Note 8)

NET ASSETS

Net assets without donor restrictions (Note 11)

Unrestricted assets	428,977
Board restricted assets (Note 6)	<u>151,145</u>
Total net assets without donor restrictions	580,122

Net assets with donor restrictions (Note 12)

1,154,976

Total net assets

1,735,098

Total Liabilities and Net Assets

\$ 1,741,828

See accompanying notes.

UPSTREAM ALLIANCE , INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
MODIFIED CASH BASIS
For the Year Ended December 31, 2021

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues, gains and other support	
Contributions	\$ 336,167
Trip cost receipts	31,779
	<u>367,946</u>
Net assets released from restrictions	<u>119,724</u>
Total revenue, gains and other support	<u>487,670</u>
Expenses from operating activity	
Educational Environmental Expeditions	254,678
Management and General	42,949
Fundraising Expenses	27,274
	<u>324,901</u>
Increase in net assets from operating activity	162,769
Non-operating gains and losses	
Payroll Protection Program loan	33,323
Investment return (Note 3)	7,603
	<u>203,695</u>
Increase in net assets without donor restrictions	203,695
Net assets, beginning of year	<u>376,427</u>
Net assets, end of year	<u>\$ 580,122</u>

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions - Grants	\$ 1,274,700
Net assets released from restrictions	
Restrictions satisfied by payments	(119,724)
Released from restriction	-
	<u>1,154,976</u>
Increase in net assets with donor restrictions	1,154,976
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u>\$ 1,154,976</u>

See accompanying notes.

UPSTREAM ALLIANCE , INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATIONS

Contributions - Grants	\$ 1,274,700
Contributions - other	333,476
Trip cost receipts	31,779
Investment income	50
Educational/Environmental Expeditions	(250,259)
Management & General	(40,692)
Fund raising expenses	<u>(27,274)</u>
Net cash from operations	<u>1,321,780</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Deposit - electric vessel	(10,000)
Purchase of fixed assets	<u>(3,392)</u>
Net cash from investing	<u>(13,392)</u>

Net increase in cash	1,308,388
Cash balance - beginning of year	<u>384,569</u>
Cash balance - end of year	<u>\$ 1,692,957</u>

See accompanying notes.

UPSTREAM ALLIANCE , INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2021

	Educational Environmental Expeditions	Management & General	Fundraising	Total
Conference & Registration Fees	\$ 1,275	\$ -	\$ -	\$ 1,275
Depreciation Expense (Note 2)	4,958	-	-	4,958
Trip Meal Costs	11,863	-	-	11,863
Rent Expense (Note 8)	4,093	-	-	4,093
Insurance - Liability	2,528	-	-	2,528
Marketing/Promotion	87	1,867	-	1,954
Meals & Entertainment	451	131	476	1,058
Bank Charges	-	341	-	341
Computer Expense	-	742	-	742
Dues and Subscriptions	752	3,304	607	4,663
Office Rental Expense (Note 5)	8,450	-	-	8,450
Telephone Expense	600	2,484	-	3,084
Payroll Taxes	12,508	1,410	1,342	15,260
Employee Benefits	1,870	11,330	-	13,200
Salary & Wages	138,000	15,750	15,000	168,750
Subcontractors expense	13,026	3,345	7,600	23,971
Printing expense	1,989	1,111	1,526	4,626
Repair and maintenance	119	68	-	187
Shipping and mailing	292	18	723	1,033
Subgrants (Note 5)	34,417	-	-	34,417
Supplies expense	3,438	450	-	3,888
Taxes - other	-	598	-	598
Travel Accomodations	3,893	-	-	3,893
Travel Meals	910	-	-	910
Transportation Expense	8,818	-	-	8,818
Trip Equipment	341	-	-	341
	\$ 254,678	\$ 42,949	\$ 27,274	\$ 324,901

See accompanying notes.

UPSTREAM ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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.

Upstream provides on-the-water experiences for conservation leaders who can improve public access, clean water and coastal resilience, while in partnership with organizations who champion these ideas. The Organization’s 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, generally 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, 2021

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. The Organization maintains cash balances at its financial institution in excess of FDIC insurance limits. Upstream has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. Cash restricted to construct an electric vessel has been restricted by donors 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, 2021

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, 2021.

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, 2021

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>1,695</u>
Total	44,379
Accumulated Depreciation	<u>31,015</u>
	\$ <u>13,364</u>
Depreciation Expense	\$ <u>4,958</u>

UPSTREAM ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS, continued
December 31, 2021

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 2021:

Interest income	\$ 50
Dividend income	149
Unrealized gains	<u>7,404</u>
Total investment return	\$ <u>7,603</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 \$13,200 for the year ended December 31, 2021.

NOTE 5 – RELATED PARTY

The President of Upstream Alliance, Inc. ("UA") is also President and owner of Environmental Leadership Strategies ("ELS"). As such, the position is part-time and UA does not receive benefit of 100% of the individual's time and effort. In 2021, grants received 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 provided use of his sailboat located in Philadelphia PA to be used as a remote office for which the organization pays him \$650/month. Total rent expense for 2021 was \$8,450.

NOTE 6 – BOARD RESTRICTED ASSETS

In 2018, the Board of Directors established a reserve fund to build and maintain an adequate level of cash to provide a "rainy day" fund to provide cash reserves to support the organization's operating requirements in the event of a funding shortfall. The target amount for the reserve fund is equivalent to two 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 2019-2021. A fourth \$50,000 donation was received in 2022. The account balance at December 31, 2021 was \$151,145.

UPSTREAM ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS, continued
December 31, 2021

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 15, 2022, 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 2021 was \$4,093.

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	\$ 1,741,828
Less Board designated funds	151,145
Less funds subject to satisfaction of donor restrictions	<u>1,154,976</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>435,707</u>

UPSTREAM ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS, continued
December 31, 2021

NOTE 11 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets at December 31, 2021 consist of the following:

Unrestricted and undesignated	\$ 428,977
Board restricted assets	<u>151,145</u>
	\$ <u>580,122</u>

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets at December 31, 2021 consist of the following:

Kellogg Foundation – Electric Vessel	\$ 1,147,160
Brandywine Project	<u>7,816</u>
	\$ <u>1,154,976</u>

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. In 2021, a \$10,000 deposit was paid to the marine architect for design of the vessel.

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 2023. 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 annual installments of \$67,500. The first installment was received June 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, 2021

NOTE 13– SUBSEQUENT EVENTS

In 2021, the organization applied for and received notification of two grants to be awarded in 2022. The grants will provide funding to continue education programs designed to meet the objectives of the Discover the Delaware project.

The National Fish and Wildlife Foundation has 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 who will 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.

The organization also received notice awarding a grant up to \$350,000 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.