BRIGHTSIDE UP, INC.
FINANCIAL REPORT
DECEMBER 31, 2022

BRIGHTSIDE UP, INC.

TABLE OF CONTENTS

BUSINESS ADVISORS AND CPAS

MMB+CO

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brightside Up, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Brightside Up, Inc. (a New York not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year 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 Brightside Up, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Brightside Up, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 and 7 to the financial statements, in 2022, Brightside Up, Inc. adopted new accounting guidance Financial Accounting Standards Board's Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Brightside Up, 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Brightside Up, 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 Brightside Up, 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.

Report on Summarized Comparative Information

Brightside Up, Inc.'s 2021 financial statements were audited by Marvin and Company, P.C., who merged with Mengel, Metzger, Barr & Co. LLP as of January 1, 2023, and who expressed an unmodified audit opinion on those audited financial statements in their report dated September 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023 on our consideration of Brightside Up, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brightside Up, Inc.'s internal control over financial reporting and compliance.

Mengel, Metzger, Barr & Co. LLP

Latham, NY
September 26, 2023

BRIGHTSIDE UP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

ASSETS

	2022	2021
Current Assets		
Cash	$ 333,071	$ 344,554
Accounts receivable:		
Grants	1,070,804	1,018,448
Child care training and education programs	171,957	163,086
Other	13,193	-
Prepaid expenses	57,611	60,504
Total Current Assets	1,646,636	1,586,592
Property and Equipment, Net	87,974	63,623
Right of Use Assets		
Right of use asset - operating	1,111,800	-
Right of use asset - finance	33,246	-
Total Right of Use Assets	1,145,046	-
Other Asset		
Security deposits	5,333	5,333
TOTAL ASSETS	$ 2,884,989	$ 1,655,548

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities		
Accounts payable and accrued expenses	$ 227,387	$ 239,552
Capital lease payable, current portion	3,468	3,468
Lease liabilities - operating, current portion	135,696	-
Lease liabilities - finance, current portion	17,229	-
USDA provider claims payable	144,592	118,992
Total Current Liabilities	528,372	362,012
Long-Term Liabilities		
Lease liabilities - operating, long term portion	976,104	-
Lease liabilities - finance, long term portion	16,203	-
Capital lease payable, net of current portion	-	3,468
Total Long-Term Liabilities	992,307	3,468
Total Liabilities	1,520,679	365,480
Net Assets		
Net Assets Without Donor Restrictions	1,359,048	1,273,455
Net Assets With Donor Restrictions	5,262	16,613
Total Net Assets	1,364,310	1,290,068
TOTAL LIABILITIES AND NET ASSETS	$ 2,884,989	$ 1,655,548

BRIGHTSIDE UP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenue and Support				
Grant income	$ 5,597,665	$ -	$ 5,597,665	$ 7,599,323
Paycheck protection program funding	-	-	-	-
Child care training and education programs	897,383	-	897,383	420,540
Other child care programs	-	-	-	2,126
Membership dues	-	-	-	1,980
Contributions	25,774	-	25,774	17,589
Interest income	1,720	-	1,720	6,416
Miscellaneous income	3,736	-	3,736	5,505
Net assets released from restrictions	11,351	(11,351)	-	-
Total Revenue and Support	6,537,629	(11,351)	6,526,278	8,053,479
Expenses				
Child care food program	1,640,092	-	1,640,092	1,538,779
Child care resource and referral programs	1,809,254	-	1,809,254	1,474,363
Legally exempt program	496,003	-	496,003	307,652
Infant-toddler program	736,176	-	736,176	619,298
Child care training and education programs	199,227	-	199,227	192,610
Registrar	711,870	-	711,870	559,814
Other child care programs	314,511	-	314,511	344,815
CARES/COVID	(400)	-	(400)	2,167,352
Management and general	545,303	-	545,303	492,827
Total Expenses	6,452,036	-	6,452,036	7,697,510
Changes in Net Assets	85,593	(11,351)	74,242	355,969
Net Assets, Beginning of year	1,273,455	16,613	1,290,068	934,099
Net Assets, End of Year	$ 1,359,048	$ 5,262	$ 1,364,310	$ 1,290,068

See accompanying notes to financial statements.

BRIGHTSIDE UP, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Child Care Food Program	Child Care Resource and Referral Programs	Legally Exempt Program	Infant-Toddler Program	Child Care Training and Education Programs	Registrar	Other Child Care Programs	CARES/ COVID	Management And General	Total 2022	Total 2021
Salaries	$ 176,546	$ 1,296,846	$ 374,094	$ 372,938	$ 107,569	$ 531,931	$ 191,706	$ -	$ 360,897	$ 3,412,527	$ 2,792,065
Payroll taxes	12,785	98,051	27,108	27,025	7,797	38,551	14,553	-	25,939	251,809	198,131
Employee benefits	13,019	99,239	27,626	27,272	8,141	39,221	13,877	-	29,433	257,828	199,232
Child care food program provider reimbursements	1,390,319	-	-	-	-	-	-	-	-	1,390,319	1,289,567
Rent	7,682	59,439	16,414	16,414	4,646	23,341	8,563	-	16,101	152,600	152,600
Program/contract expenses	-	22,850	-	235,666	16,865	-	51,204	(400)	-	326,185	2,461,644
Office expenses	6,084	45,772	12,233	12,002	3,529	17,089	5,919	-	12,282	114,910	95,658
Repairs and maintenance	6,107	45,290	12,683	12,653	3,681	17,951	6,269	-	15,434	120,068	85,194
Travel	3,397	23,509	2,953	9,702	3,794	11,310	7,738	-	85	62,488	30,657
Training	13	3,696	80	54	34,513	-	-	-	-	38,356	74,705
Professional fees	1,975	15,511	4,480	4,341	1,517	6,401	1,619	-	5,260	41,104	62,010
Conferences	324	18,770	150	(328)	1,559	-	4,159	-	13,047	37,681	36,829
Insurance	662	5,892	1,488	1,583	381	2,241	625	-	1,517	14,389	12,784
Postage/shipping	887	6,536	1,856	1,829	573	2,621	1,110	-	1,820	17,232	17,336
Depreciation	1,629	8,402	2,514	2,198	1,043	3,393	582	-	2,316	22,077	17,817
Utilities	1,637	14,169	3,342	3,370	925	4,751	1,769	-	3,533	33,496	25,515
Equipment rental	719	10,039	1,619	2,010	436	2,239	901	-	2,279	20,242	20,126
Printing	14,242	10,094	2,710	2,618	923	3,803	1,435	-	4,130	39,955	30,523
Telephone and internet	642	4,945	1,306	1,274	369	1,815	959	-	1,335	12,645	12,555
Dues and subscriptions	904	12,479	2,227	2,407	650	3,343	899	-	8,288	31,197	14,927
Advertising	519	7,725	1,120	1,148	316	1,576	624	-	4,862	17,890	13,253
Interest	-	-	-	-	-	-	-	-	517	517	6,291
Miscellaneous expense	-	-	-	-	-	293	-	-	36,228	36,521	48,091
Total Expenses	$ 1,640,092	$ 1,809,254	$ 496,003	$ 736,176	$ 199,227	$ 711,870	$ 314,511	$ (400)	$ 545,303	$ 6,452,036	$ 7,697,510

See accompanying notes to financial statements.

BRIGHTSIDE UP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ 74,242	$ 355,969
Adjustment to reconcile change in net assets to net cash flows from operating activities		
Depreciation	22,077	17,817
Amortization of right of use asset- finance	16,010	-
Changes in operating assets and liabilities		
Accounts receivable	(74,420)	(198,939)
Prepaid expenses	2,893	(4,629)
Right of use asset- operating	(1,111,800)	-
Accounts payable and accrued expenses	(12,165)	64,273
USDA provider claims payable	25,600	8,856
Lease liabilities- operating	1,111,800	-
Net Cash Flows From Operating Activities	54,237	243,347
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(46,428)	(23,710)
Net Cash Flows (Used By) Investing Activities	(46,428)	(23,710)
Cash Flows From Financing Activities		
Borrowings from line-of-credit	210,000	1,540,000
Payments on line-of-credit	(210,000)	(1,540,000)
Payments on finance lease	(15,824)	-
Payments on capital lease	(3,468)	(3,468)
Net Cash Flows (Used By) Financing Activities	(19,292)	(3,468)
Change in Cash	(11,483)	216,169
Cash - Beginning of Year	344,554	128,385
Cash - End of Year	$ 333,071	$ 344,554
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 517	$ 6,291

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Income Taxes

Brightside Up, Inc. (Organization), formerly Capital District Child Care Coordinating Council, Inc., is a not-for-profit corporation organized to function as a resource and referral agency dedicated to promoting quality and accessible child care for all of the Capital Region's diverse communities. The Organization assumes a leadership role in supporting children, parents, providers and employers through referral counseling, education, training, and advocacy. The Organization is primarily supported by grant income.

The Organization qualifies as a tax exempt organization that is not a private foundation under Section 501(c)(3) of the Internal Revenue Code, and has received a determination letter from the Internal Revenue Service stating it is exempt from federal income taxes, except on net income derived from unrelated business activities. Management believes there are no sources of unrelated business taxable income and has determined that the Organization does not have any uncertain tax positions.

Significant accounting policies followed by the Organization in preparation of its financial statements are presented below:

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Basis of Presentation

In the accompanying financial statements, net assets are reported in two categories - with donor restrictions and without donor restrictions. Net assets without donor restrictions include resources which are available for the support of the Organization's operating activities. This category may also include resources designated by the Board for specific purposes. Net assets with donor restrictions include resources that have been donated to the Organization subject to purpose or time restrictions as defined by the donor.

Use of 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 in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

Cash

The Organization's cash balances may at times exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash. Cash in excess of federally insured limits totaled approximately $97,900 at December 31, 2022.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

Accounts receivable primarily include uncollateralized obligations from contracts and grants under customary credit terms. Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts are begun. After all collection efforts are exhausted, the account is written off. Based upon historical performance and a review of outstanding balances, management considers accounts receivable to be fully collectable and has determined that an allowance for doubtful accounts is not necessary at December 31, 2022. If, in the future, the Organization determines that amounts may be uncollectable, an allowance will be established and activities will be charged when that determination is made.

Property and Equipment

Property and equipment having a unit cost or bulk purchase total of $2,500 or greater and a useful life of more than three years, and significant betterments that extend useful lives, are capitalized at cost, if purchased, or estimated fair value if donated. Maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resultant gain or loss is credited or charged to operations. Depreciation is computed over the estimated useful lives of the respective assets using the straight-line method with lives ranging from two to ten years.

Revenue Recognition

<u>Contributions</u>
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions are reported as without donor restrictions if such restrictions are met in the current reporting period. Conditional promises to give are not recognized until the conditions on which they depend are met.

<u>Grant Income</u>
Grant income, principally support from governmental agencies, which is generally considered nonreciprocal transactions restricted for certain purposes, is reported as revenue as qualifying expenses are incurred and conditions under the agreements are met. The Organization has elected the simultaneous release policy available under Financial Accounting Standards Board (FASB) ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. A receivable is recognized to the extent revenue earned exceeds cash received. Conversely, deferred revenue is recorded when cash received exceeds revenue earned. Conditional grant awards outstanding and not recognized as of December 31, 2022 were $1,330,466.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Child Care Training and Education Programs
Program service revenue, which arises principally from the provision of child care training and education programs, is recognized at approved rates when the Organization satisfies its performance obligations under contracts by transferring services. The transaction price is based on established charges for services provided. The Organization reviews individual contracts in order to determine estimated uncollectable accounts due from third party payors and records these implicit price concessions as a direct reduction of revenue. Based on this review, the Organization expects to collect the established charges and has determined there are no implicit price concessions provided.

Performance obligations for all Organization services are provided and consumed at a point in time. Therefore these types of fees allocated to performance obligations are not left unsatisfied at the end of the reporting period.

Functional Expenses

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. While some expenses can be charged in their entirety to a single function through specific identification, certain costs have been allocated among the programs and supporting service benefited. Direct expenses are charged to the specific program to which they relate. Significant expenses that are allocated include salaries, payroll taxes, employee benefits, and rent. The most common allocation methods is based on estimates of time and effort.

Advertising

The Organization follows a policy of charging the cost of advertising to expense as incurred. Total advertising expense for 2022 was $17,890.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Reclassifications

Certain 2021 amounts in the accompanying financial statements have been reclassified to conform to the 2022 presentation. This includes reclassing $40,000 out of net assets with donor restrictions and into net assets without donor restrictions, as the anticipated funding which was recorded as a receivable in a prior year was not received.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards

On January 1, 2022, Brightside Up, Inc. adopting Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842),* with the purpose of increasing transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities for all long-term leases, including operating leases, in the statement of financial position. The Organization has elected the optional transition method and adopted the new guidance on a modified retrospective basis with no restatement of prior periods presented. As allowed under the ASU, the Organization elected to apply practical expedients to carry forward the original lease determinations, lease classifications, and accounting of initial direct costs, if any, for all asset classes at the time of adoption (see Note 7).

During the year ended December 31, 2022, Brightside Up, Inc. implemented ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for years beginning after June 15, 2021, which modified the disclosures and presentation of contributed nonfinancial assets. There was no impact to the financial statements as a result of adoption.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets at December 31, 2022 available within one year of the statement of financial position date:

Cash	$	333,071
Accounts receivable		1,255,954
Total Financial Assets		1,589,025
Less unavailable for general expenditures within one year:		
Subject to satisfaction of donor restrictions		(5,262)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$	1,583,763

The Organization has a policy to structure its financial assets to meet obligations as they come due. The Organization's ability to meet its cash needs is highly dependent on timely collection of its account receivable. Due to this factor, the Organization has a line-of-credit available (see Note 4), which it can draw upon throughout the year to support short-term liquidity needs.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

Leasehold improvements	$	169,628
Office equipment, computers and furniture		346,814
Property and Equipment, Gross		516,442
Less: Accumulated depreciation		(428,468)
Property and Equipment, Net	$	87,974

4. LINE-OF-CREDIT

The Organization had a $750,000 line-of-credit with a credit union, which currently bears interest at prime plus 0.25% (6.50% at December 31, 2022). This debt is collateralized by all business assets. There was no balance outstanding on the line-of-credit as of December 31, 2022.

The line-of-credit constitutes a commitment subject to continued creditworthiness and review by the credit union. It is anticipated that a similar line-of-credit will be maintained in the future.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with temporary donor restrictions are available for the following purposes:

Family child care start up	$	3,794
Scholarships		1,468
	$	5,262

6. PENSION PLAN

The Organization has adopted a Simplified Employee Pension Plan (SEP) which covers all employees that meet eligibility requirements. Contributions are discretionary and the rate of contribution is determined by the Board of Directors. The amount of pension cost was $91,878 for the year ended December 31, 2022.

7. LEASES

As disclosed in Note 1, the Organization adopted ASU 2016-02, *Leases (Topic 842)*, effective January 1, 2022. The Organization determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration, and only reassess its determination if the terms and conditions of the agreement are changed.

Brightside Up, Inc. occupies one space, which is classified as an operating lease. This lease term was a 10-year renewal, ending in 2030, with no option for renewal. The incremental borrowing rate utilized to calculate this lease liability was based on the information available at the commencement date, as most leases do not provide an implicit borrowing rate. This operating lease does not contain any material guarantees or restrictive covenants, and there are no sublease activities related to this. This lease is included in right of use asset - operating and lease liabilities - operating in the accompanying statement of financial position. Operating lease expense under this lease is included in rent on the statement of functional expenses and was $152,600 for the year ended December 31, 2022.

In addition, Brightside Up, Inc. leases equipment under agreements classified as finance leases (lease term exceeds 75% of the economic life of the asset and/or present value of the future payments exceeds 90% of the asset's fair market value). These leases are included in right-of-use asset - finance and lease liabilities - finance in the accompanying statement of financial position. Amortization expense of $16,010 is included in the equipment rental line in the accompanying statement of functional expenses for the year ended December 31, 2022. Principal payments on these leases totaled $15,824 during the year ended December 31, 2022.

7. LEASES

At December 31, 2022, future payments of operating and finance lease liabilities were as follows:

	Finance Lease	Operating Lease
2023	$ 17,644	$ 152,600
2024	10,575	152,600
2025	2,427	152,600
2026	2,427	152,600
2027	1,214	152,600
Thereafter	-	419,650
Total Undiscounted Cash Flows	34,287	1,182,650
Less: present value discount	(855)	(70,850)
Total Present Value of Lease Liabilities	$ 33,432	$ 1,111,800

The right-of-use assets obtained in exchange for new finance lease liabilities was $11,307 during the year ended December 31, 2022.

Other information on leases is as follows:

Operating Lease	
Weighted average remaining lease term	7.75
Weighted average discount rate	1.63%
Finance Lease	
Weighted average remaining lease term	2.52
Weighted average discount rate	1.60%

8. CAPITAL LEASE

The Organization is the lessee of office equipment under a capital lease that expires in December 2023. The equipment and liability under capital lease are recorded at the lower of present value of the minimum lease payments or the fair value of the asset. The equipment is amortized over the shorter of its related lease term or estimated production life. Amortization is included in depreciation expense.

Following is a summary of equipment held under capital lease:

Equipment	$ 17,340
Less accumulated amortization	(13,872)
Total	$ 3,468

8. CAPITAL LEASE

Minimum future payments under capital lease as of December 31, 2022 are:

2023	$	3,468

The imputed interest necessary to reduce the net minimum lease payments to present value is considered immaterial.

9. CONTINGENCY

Grantor Audits
The Organization receives funding for various programs that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of management, such disallowances, if any, will not be significant to the Organization's financial statements. In the event that a subsequent audit or evaluation determines that an adjustment is required, the amount will be recognized in the period in which it becomes fixed and determinable.

10. FUTURE ACCOUNTING STANDARDS

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on Brightside Up, Inc.'s financial position or results of operations.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events for possible adjustment or disclosure through September 26, 2023, the date on which the financial statements were available to be issued. The Organization determined there were no subsequent events requiring recording or disclosure.

BRIGHTSIDE UP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number	Pass-Through to Sub-Recipients	Federal Expenditures
U.S Department of Health and Human Services				
CCDF Cluster				
Child Care and Development Block Grant				
Passed through New York State Office of Children and Family Services	93.575	C028247	$ -	$ 946,876
Passed through New York State Office of Children and Family Services	93.575	T012691	-	162,500
Passed through New York State Office of Children and Family Services	93.575	C028244	-	1,264,460
Passed through New York State Office of Children and Family Services	93.575	C028277	-	871,156
Subtotal - New York State Office of Children and Family Services			-	3,244,992
Passed through Schenectady County DSS	93.575	38122	-	194,205
Passed through Albany County DSS	93.575	Unknown	-	233,065
Passed through Rensselaer County DSS	93.575	Unknown	-	130,829
CCDF Cluster				
Total Child Care and Development Block Grant/CCDF Cluster			-	3,803,091
U.S. Department of Agriculture				
Passed through New York State Department of Health				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C33041GG	-	163,334
Total SNAP Cluster			-	163,334
Child and Adult Care Food Program	10.558	02044	1,390,319	1,597,339
Team Nutrition Grants	10.574	C027420	-	21,046
Total U.S. Department of Agriculture			1,390,319	1,781,719
Total Expenditures of Federal Awards			$ 1,390,319	$ 5,584,810

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all federal award programs of Brightside Up, Inc. (the Organization) for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or other cost principles applicable to not-for-profit organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Grantor identifying numbers are presented where available.

3. NON-CASH ASSISTANCE

The Organization did not receive or expend federal awards in the form of non-cash assistance during the year ended December 31, 2022.

4. FEDERAL LOANS AND LOAN GUARANTEES

The Organization had no federal loans or loan guarantees outstanding as of December 31, 2022.

5. INSURANCE

The Organization did not participate in any federal insurance programs for the year ended December 31, 2022.

6. MATCHING COSTS

The accompanying Schedule of Expenditures of Federal Awards does not include matching costs.

7. AUDITS BY OTHER AUDITORS

There were no audits by other auditors of the Organization’s federal award programs during the year ended December 31, 2022.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Board of Directors
Brightside Up, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of Brightside Up, Inc. (a New York not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brightside Up, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brightside Up, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Brightside Up, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brightside Up, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brightside Up, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brightside Up, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barr & Co. LLP

Latham, New York
September 26, 2023

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Directors
Brightside Up, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brightside Up, Inc.'s (a New York not-for-profit organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brightside Up, Inc.'s major federal programs for the year ended December 31, 2022. Brightside Up, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Brightside Up, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Brightside Up, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Brightside Up, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Brightside Up, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Brightside Up, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Brightside Up, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Brightside Up, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Brightside Up, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Brightside Up, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion in expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mengel, Metzger, Barr & Co. LLP

Latham, New York
September 26, 2023

BRIGHTSIDE UP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?	X	Yes		None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		Yes	X	No

Identification of Major Program:

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.575	CCDF Cluster Child Care and Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as a low-risk auditee?	X	Yes		No

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Significant Deficiency

2022-001 Journal Entry Review

Statement of Condition: Journal entries made by the Chief Financial Officer are not being reviewed before being posted. The Finance Committee does perform a budget to actual

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Significant Deficiency

2022-001 Journal Entry Review (continued)

review of the revenue and expenses during their meetings. The budget to actual information is provided by the Chief Financial Officer.

Criteria: Journal entries are a necessary function of recording certain types of activity and performing closing entries for any organization. Due to their nature, journal entries can be a higher risk transaction therefore review of journal entries by an individual who does not have access to make journal entries is an important aspect of the financial reporting process.

Cause: The review of journal entries has not historically been a procedure performed due to the segregation of functions established within the Finance Department and the budget to actual review noted above.

Effect: Unauthorized or unsupported transactions or journal entries could be processed without the proper review and approval.

Recommendation: We recommend that the Executive Director review a journal entry report monthly, including agreeing entries of significance or unusualness to support. This review should be documented by the Executive Director's signoff and date of review either on a hardcopy or through some electronically developed process.

Context: As part of the audit process we evaluate controls and procedures and identified this area as an opportunity for the Organization to improve internal controls.

Views of responsible officials and planned corrective actions: Journal entries will be printed monthly and reviewed by the Executive Director, beginning in September 2023. The Executive Director will sign, and date after verification. Journal documents will be filed along with the bank reconciliations that are also reviewed by the Executive Director.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None