

URBAN ALCHEMY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020



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**URBAN ALCHEMY
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Urban Alchemy
San Francisco, California

We have audited the accompanying financial statements of Urban Alchemy (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Urban Alchemy

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Alchemy as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization has adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to the matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Pasadena, California
June 16, 2021

**URBAN ALCHEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

Cash and Cash Equivalents	\$ 538,978
Contributions Receivable	<u>1,772,672</u>
Total Assets	<u><u>\$ 2,311,650</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 1,283,231
Advances	200,000
Debt	<u>305,502</u>
Total Liabilities	<u>1,788,733</u>

NET ASSETS WITHOUT DONOR RESTRICTIONS

	<u>522,917</u>
Total Liabilities and Net Assets	<u><u>\$ 2,311,650</u></u>

**URBAN ALCHEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

SUPPORT AND REVENUE

Governmental Contributions	\$ 9,716,774
Grants and Contributions	<u>413,283</u>
Total Support and Revenue	10,130,057

EXPENSES

Program Services	9,041,535
Management and General	491,570
Fundraising	<u>106,746</u>
Total Expenses	<u>9,639,851</u>

**CHANGE IN NET ASSETS WITHOUT
DONOR RESTRICTIONS**

490,206

Net Assets Without Donor Restrictions - Beginning of Year

32,711

NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR

\$ 522,917

**URBAN ALCHEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 490,206
Changes in Assets and Liabilities:	
Contributions Receivable	(1,768,114)
Accounts Payable and Accrued Expenses	1,282,868
Advances	198,000
Net Cash Provided by Operating Activities	<u>202,960</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from PPP Loan	305,502
Proceeds from Promissory Note	170,000
Principal Payment on Promissory Note	<u>(170,000)</u>
Net Cash Provided by Financing Activities	<u>305,502</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

508,462

Cash and Cash Equivalents - Beginning of Year

30,516

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 538,978

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 ORGANIZATION

Urban Alchemy (the Organization) was founded in 2018 in order to bring a sense of peace and respect to America's most chaotic urban areas that are struggling with the intersection of extreme poverty, addiction, mental illness, and homelessness. The Organization has operations in San Francisco and Los Angeles.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to nonprofit educational institutions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, donor-restricted contributions whose restrictions are met in the same reporting period, and net assets designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has no net assets with donor restrictions.

Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Contributions Receivable

Contributions that are unconditional promises to give (pledges) are recorded as receivables and revenues. For financial reporting purposes, the Organization distinguished between contributions with donor restrictions and without donor restrictions. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as with donor restrictions. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

donor restrictions and reported as net assets released from restrictions. Contributed assets which are subject to perpetual donor restrictions and from which only the current income may be used are classified as net assets with donor restrictions. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are met within the same reporting period, are reported as contributions without donor restrictions.

Advances

Payments under contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Revenue and Revenue Recognition

Contributions and grants are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right to return are not recognized until the conditions on which they depend have been substantially met. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions to be received after one year are discounted at a discount rate consistent with general principles for present value measurement. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Functional Expense Allocation

The functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation and total direct expenses.

Credit Concentration

The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable and promises to give is considered to be limited due to historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of the Organization's mission.

At June 30, 2020, three governmental agencies accounted for approximately 94% of contributions receivable. At June 30, 2020, two governmental agencies accounted for approximately 69% of governmental contributions. At June 30, 2020, two donors accounted for approximately 67% of grants and contributions.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit corporation defined in Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxation under section 501(a) of the Code. The Organization is also exempt from state income taxation under 23701(d) of the California Revenue and Taxation Code.

GAAP provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by the Organization are more likely than not to be sustained upon examination.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Risk and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to decline in contributions and program services. Management believes that the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

Subsequent Events

Subsequent events have been evaluated through June 16, 2021, the date that these financial statements were available to be issued. Except as discussed in Note 5, there were no subsequent events that would require disclosure or adjustment in these financial statements.

New Accounting Pronouncements Adopted during Current Accounting Period

The Organization has adopted Financial Accounting Standards Board (FASB) 2018-08 *Not-For-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Organization has implemented ASU 2018-08 under the modified prospective approach. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 LIQUIDITY AND AVAILABILITY

As of June 30, 2020, the Organization's financial assets available for general expenditure, that is, without donor or other restriction limited their use, within one year of the statement of financial position consist of the following:

Cash and Cash Equivalents	\$ 538,978
Contributions Receivable	<u>1,772,672</u>
Available for General Expenditures	<u><u>\$ 2,311,650</u></u>

None of the financial assets are subject to donor restriction that make them unavailable for general expenditure within one year of the balance sheet date.

NOTE 4 CONTRIBUTIONS RECEIVABLE

At June 30, 2020, contributions receivable of \$1,772,672 are expected to be collected within one year.

NOTE 5 DEBT

PPP Loan

During May 2020, the Organization received a loan from Bank of America in the amount of \$305,502 to fund payroll and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequently, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020 principal and interest payments will be required through the maturity date in May 2022. During January 2021, the PPP Loan was forgiven in its entirety.

Promissory Note

During February 2020, the Organization entered into a promissory note with a governmental agency for short-term funding. The unsecured note was for \$170,000, had annual interest of 5% and required principal and interest payments due April 2020. This promissory note was paid off in full during the year ended June 30, 2020.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 DEBT (CONTINUED)

Promissory Note(Continued)

During July 2020, the Organization entered into a promissory note with a governmental agency for short-term funding. The unsecured note was for \$200,000, had annual interest of 5%, and required principal and interest payments due August 2020. This note was paid off in full during April 2021.

NOTE 6 FUNCTIONAL ALLOCATION OF EXPENSES

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 7,191,598	\$ 89,949	\$ 32,169	\$ 7,313,716
Payroll Taxes	625,175	92,313	33,022	750,510
Benefits	368,858	41,787	14,949	425,594
Insurance	318,710	80,248	16,296	415,254
Program Expense	225,094	26	226	225,346
Professional Services	89,776	102,252	9,975	202,003
Supplies	96,262	14,515	-	110,777
Vehicle Rentals	54,365	-	-	54,365
Transportation	32,109	5,333	-	37,442
Software	-	37,120	-	37,120
Rent and Occupancy	-	19,010	-	19,010
Vehicle and Travel Expenses	13,857	398	-	14,255
Telecommunications	10,068	2,678	-	12,746
Print & Shipping	7,152	1,390	-	8,542
Miscellaneous	8,511	-	-	8,511
Staff Development and Training	-	3,450	-	3,450
Bank Fees	-	1,101	109	1,210
Total Expenses by Function	<u>\$ 9,041,535</u>	<u>\$ 491,570</u>	<u>\$ 106,746</u>	<u>\$ 9,639,851</u>

