

URBAN ALCHEMY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2021 and 2020, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pasadena, California
July 7, 2022

URBAN ALCHEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 529,181 | \$ 538,978 |
| Governmental Contributions Receivable | 3,392,002 | 1,772,672 |
| Grants and Contributions Receivable | 407,500 | - |
| Prepaid Expenses and Other Assets | 35,044 | - |
| Property and Equipment, Net | 104,928 | - |
| Total Assets | \$ 4,468,655 | \$ 2,311,650 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 2,281,920 | \$ 1,283,231 |
| Advances | 40,000 | 200,000 |
| Debt | - | 305,502 |
| Total Liabilities | 2,321,920 | 1,788,733 |
| NET ASSETS | | |
| Without Donor Restrictions | 1,739,235 | 522,917 |
| With Donor Restrictions | 407,500 | - |
| Total Net Assets | 2,146,735 | 522,917 |
| Total Liabilities and Net Assets | \$ 4,468,655 | \$ 2,311,650 |

See accompanying Notes to Financial Statements

**URBAN ALCHEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------------|-------------------------------|----------------------------|---------------|
| SUPPORT AND REVENUE | | | |
| Governmental Contributions | \$ 26,491,852 | \$ - | \$ 26,491,852 |
| Grants and Contributions | 709,723 | 407,500 | 1,117,223 |
| Gain on Forgiveness of Debt | 305,502 | - | 305,502 |
| Other Income | 37,056 | - | 37,056 |
| Total Support and Revenue | 27,544,133 | 407,500 | 27,951,633 |
| EXPENSES | | | |
| Program Services | 24,664,041 | - | 24,664,041 |
| Management and General | 1,616,486 | - | 1,616,486 |
| Fundraising | 47,288 | - | 47,288 |
| Total Expenses | 26,327,815 | - | 26,327,815 |
| CHANGE IN NET ASSETS | 1,216,318 | 407,500 | 1,623,818 |
| Net Assets - Beginning of Year | 522,917 | - | 522,917 |
| NET ASSETS - END OF YEAR | \$ 1,739,235 | \$ 407,500 | \$ 2,146,735 |

See accompanying Notes to Financial Statements

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------|-------------------------------|----------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Governmental Contributions | \$ 9,716,774 | \$ - | \$ 9,716,774 |
| Grants and Contributions | 413,283 | - | 413,283 |
| Total Support and Revenue | <u>10,130,057</u> | <u>-</u> | <u>10,130,057</u> |
| EXPENSES | | | |
| Program Services | 9,041,535 | - | 9,041,535 |
| Management and General | 491,570 | - | 491,570 |
| Fundraising | 106,746 | - | 106,746 |
| Total Expenses | <u>9,639,851</u> | <u>-</u> | <u>9,639,851</u> |
| CHANGE IN NET ASSETS | 490,206 | - | 490,206 |
| Net Assets - Beginning of Year | <u>32,711</u> | <u>-</u> | <u>32,711</u> |
| NET ASSETS - END OF YEAR | <u>\$ 522,917</u> | <u>\$ -</u> | <u>\$ 522,917</u> |

See accompanying Notes to Financial Statements

**URBAN ALCHEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|---|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 1,623,818 | \$ 490,206 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 2,081 | - |
| Gain from Forgiveness of Debt | (305,502) | - |
| Changes in Assets and Liabilities: | | |
| Governmental Contributions Receivable | (1,619,330) | (1,768,114) |
| Grants and Contributions Receivable | (407,500) | - |
| Prepaid Expenses and Other Assets | (35,044) | - |
| Accounts Payable and Accrued Expenses | 998,689 | 1,282,868 |
| Advances | (160,000) | 198,000 |
| Net Cash Provided by Operating Activities | 97,212 | 202,960 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | (107,009) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from PPP Loan | - | 305,502 |
| Proceeds from Promissory Note | 200,000 | 170,000 |
| Principal Payment on Promissory Note | (200,000) | (170,000) |
| Net Cash Provided by Financing Activities | - | 305,502 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (9,797) | 508,462 |
| Cash and Cash Equivalents - Beginning of Year | 538,978 | 30,516 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 529,181 | \$ 538,978 |

See accompanying Notes to Financial Statements

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 ORGANIZATION

Urban Alchemy (the Organization) hires individuals who were formerly incarcerated and harnesses their skills and energy to transform people and places through respect and compassion. The Organization provides services and engagement that heal communities challenged by the intersection of extreme poverty, mental illness, addiction, and homelessness. When individuals are suffering in our public spaces, the Organization offers solutions. When a neighborhood, street, or intersection earns a reputation as a place to avoid, the Organization turns it around. The Organization's staff, known as Practitioners, create a peaceful and supportive presence, helping our communities rebuild a sense of pride one person at a time.

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 entities. 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.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property and Equipment

Property and equipment that is purchased or constructed is stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. The Organization uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

| | |
|----------|---------|
| Vehicles | 7 Years |
|----------|---------|

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements during the year ended June 30, 2021.

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.

**URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2021, four governmental agencies and one foundation accounted for approximately 69% of contributions receivable. At June 30, 2020, three governmental agencies accounted for approximately 94% of contributions receivable. At June 30, 2021 and 2020, two governmental agencies accounted for approximately 55% and 69% of governmental contributions, respectively. At June 30, 2021 and 2020, two donors accounted for approximately 68% and 67% of grants and contributions, respectively.

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 2022 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.

**URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through July 7, 2022, the date that these financial statements were available to be issued. Except as noted in Note 6, there were no subsequent events that would require adjustments or disclosures in these financial statements.

New Accounting Pronouncement Effective in Future Accounting Period

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*. This update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal year beginning after December 15, 2021. Management will be evaluating the effects of the new standard.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of June 30, 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 at June 30:

| | 2021 | 2020 |
|------------------------------------|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 529,181 | \$ 538,978 |
| Contributions Receivable | 3,392,002 | 1,772,672 |
| Available for General Expenditures | <u>\$ 3,921,183</u> | <u>\$ 2,311,650</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, 2021 and 2020, contributions receivable of \$3,799,502 and \$1,772,672 are expected to be collected within one year, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 consists of the following:

| | Amount |
|--------------------------------|-------------------|
| Vehicles | \$ 107,009 |
| Less: Accumulated Depreciation | (2,081) |
| Property and Equipment, Net | <u>\$ 104,928</u> |

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 DEBT

PPP Loan

In May 2020, the Organization received a \$305,502 loan to fund payroll and utilities through a lender pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is unsecured and guaranteed by the Small Business Administration (SBA). In January 2021, the Organization was notified that the entire PPP loan in the amount of \$305,502 was forgiven by the SBA. PPP loan forgiveness is recorded as income without donor restrictions in the accompanying statement of activities for the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

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.

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.

Subsequent Line

During December 2021, the Organization obtained line of credit through December 2022 for a maximum amount of \$500,000. The line of credit is personally guaranteed by a donor and is also secured by property of the Organization. The line is subject to interest-only payments on outstanding unpaid principal at a interest rate of 7% per annum only when principal is paid in full at the conclusion of the loan. On July 7, 2022 the balance on the line was \$500,000.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 COMMITMENT

During March 2021, the Organization entered into a noncancelable operating lease agreement for office space. This operating lease commenced during October 2021 and will expire during September 2026. The lease is subject to an initial monthly base rent of \$8,470 set to increase 3% each September thereafter.

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2022 | \$ 76,230 |
| 2023 | 103,927 |
| 2024 | 107,045 |
| 2025 | 110,256 |
| 2026 | 113,564 |
| Thereafter | 28,599 |
| Total | <u>\$ 539,621</u> |

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions of \$407,500 consist of time restricted contributions.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 FUNCTIONAL ALLOCATION OF EXPENSES

| | 2021 | | | |
|--|----------------------|---------------------------|------------------|----------------------|
| | Program | Management and General | Fundraising | Total |
| Salaries and Wages | \$ 18,152,142 | \$ 370,038 | \$ 18,785 | \$ 18,540,965 |
| Benefits | 2,563,204 | 38,131 | 2,652 | 2,603,987 |
| Insurance | 1,495,131 | 198,883 | 1,544 | 1,695,558 |
| Payroll Taxes | 1,602,075 | 23,833 | 1,658 | 1,627,566 |
| Professional Services | 64,828 | 629,611 | 16,900 | 711,339 |
| Program and Supplies | 488,714 | 119,638 | - | 608,352 |
| Vehicle Rentals | 144,726 | - | - | 144,726 |
| Rent, Occupancy and Telecommunications | 5,205 | 131,956 | - | 137,161 |
| Vehicle and Travel Expenses | 60,766 | - | - | 60,766 |
| Transportation | 39,494 | 4,773 | - | 44,267 |
| Bad Debt Expense | 39,490 | - | - | 39,490 |
| Bank Fees | - | 35,408 | - | 35,408 |
| Repairs and Maintenance | 6,185 | 16,257 | - | 22,442 |
| Interest Expense | - | 15,000 | - | 15,000 |
| Staff Development and Training | - | 9,139 | 5,749 | 14,888 |
| Software | - | 12,055 | - | 12,055 |
| Print and Shipping | - | 7,566 | - | 7,566 |
| Miscellaneous | - | 4,198 | - | 4,198 |
| Depreciation | 2,081 | - | - | 2,081 |
| Total Expenses by Function | <u>\$ 24,664,041</u> | <u>\$ 1,616,486</u> | <u>\$ 47,288</u> | <u>\$ 26,327,815</u> |

| | 2020 | | | |
|--|---------------------|---------------------------|-------------------|---------------------|
| | Program | Management and General | Fundraising | Total |
| Salaries and Wages | \$ 7,191,598 | \$ 89,949 | \$ 32,169 | \$ 7,313,716 |
| Benefits | 368,858 | 41,787 | 14,949 | 425,594 |
| Insurance | 318,710 | 80,248 | 16,296 | 415,254 |
| Payroll Taxes | 625,175 | 92,313 | 33,022 | 750,510 |
| Professional Services | 89,776 | 102,252 | 9,975 | 202,003 |
| Program and Supplies | 321,356 | 14,541 | 226 | 336,123 |
| Vehicle Rentals | 54,365 | - | - | 54,365 |
| Rent, Occupancy and Telecommunications | 10,068 | 21,688 | - | 31,756 |
| Vehicle and Travel Expenses | 13,857 | 398 | - | 14,255 |
| Transportation | 32,109 | 5,333 | - | 37,442 |
| Bank Fees | - | 1,101 | 109 | 1,210 |
| Staff Development and Training | - | 3,450 | - | 3,450 |
| Software | - | 37,120 | - | 37,120 |
| Print and Shipping | 7,152 | 1,390 | - | 8,542 |
| Miscellaneous | 8,511 | - | - | 8,511 |
| Total Expenses by Function | <u>\$ 9,041,535</u> | <u>\$ 491,570</u> | <u>\$ 106,746</u> | <u>\$ 9,639,851</u> |

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 RETIREMENT PLAN

Beginning January 2021, the Organization sponsored a 403(b) defined contribution retirement plan administered by the Organization and assets held with OneAmerica Financial Partners. Substantially all of the Organization's employees are covered. Eligible employees may make voluntary tax-deferred contributions up to the statutory limit. The Organization does not make any contributions.



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