

**AUSTIN YOUTH & COMMUNITY FARM, INC.
dba URBAN ROOTS
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED JULY 31, 2023 AND 2022**

URBAN ROOTS

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Independent Auditors' Report

To the Board of Directors of
Austin Youth & Community Farm, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of Austin Youth & Community Farm, Inc. dba Urban Roots (Urban Roots) which comprise the statements of financial position as of July 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Roots as of July 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Urban Roots and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; 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.

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 Urban Roots' ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibility 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 auditors' 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 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, 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 the Urban Roots' 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 the Urban Roots' 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.

Atchley & Associates LLP

Austin, Texas
January 30, 2024

URBAN ROOTS
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 533,506	\$ 1,046,896
Pledges receivable, net	162,274	62,764
Other receivables	309,064	93,466
Prepaid expenses	2,000	2,000
Total current assets	1,006,844	1,205,126
Property and equipment		
Land	633,813	484,354
Vehicles	83,819	83,819
Farm equipment	67,396	53,100
Furniture and equipment	3,000	3,000
Leasehold improvements	47,855	47,855
Less accumulated depreciation	(123,775)	(106,960)
Net fixed assets	712,108	565,168
Other assets		
Pledges receivable, net, long-term portion	159,675	20,599
Right of use assets	135,835	-
Note receivable	262,987	-
Security deposit	300	300
Total assets	2,277,749	1,791,193
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	40,902	23,318
Deferred revenues	-	2,139
Lease liability, current	10,714	-
Total current liabilities	51,616	25,457
Lease liability, long-term portion	125,121	-
Note payable	165,632	171,931
Total liabilities	342,369	197,388
Net assets		
Net assets without donor restrictions	1,567,158	1,356,479
Net assets with donor restrictions	368,222	237,326
Total net assets	1,935,380	1,593,805
Total liabilities and net assets	\$ 2,277,749	\$ 1,791,193

The accompanying notes to financial statements are an integral part of these statements.

URBAN ROOTS
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 192,502	\$ 557,325	\$ 749,827
Grants	843,099	143,140	986,239
Special events	199,101	-	199,101
Program related sales	8,706	-	8,706
Other revenue	20,595	-	20,595
Contributed goods and services	191,894	-	191,894
Investment return, net	1,356	-	1,356
Net assets released from donor imposed restrictions	569,569	(569,569)	-
Total revenues and other support	2,026,822	130,896	2,157,718
EXPENSES			
Program services	1,360,303	-	1,360,303
Supporting services			
Management and general	166,495	-	166,495
Fundraising	289,345	-	289,345
Total expenses	1,816,143	-	1,816,143
CHANGE IN NET ASSETS	210,679	130,896	341,575
NET ASSETS			
Beginning of year	1,356,479	237,326	1,593,805
End of year	\$ 1,567,158	\$ 368,222	\$ 1,935,380

The accompanying notes to financial statements are an integral part of these statements.

URBAN ROOTS
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 405,672	\$ 7,495	\$ 413,167
Grants	298,022	168,150	466,172
Special events	173,308	-	173,308
Program related sales	13,774	-	13,774
Other revenue	2,379	-	2,379
Contributed goods and services	182,731	-	182,731
Investment return, net	504	-	504
Net assets released from donor imposed restrictions	756,499	(756,499)	-
Total revenues and other support	1,832,889	(580,854)	1,252,035
EXPENSES			
Program services	1,062,963	-	1,062,963
Supporting services			
Management and general	129,784	-	129,784
Fundraising	275,021	-	275,021
Total expenses	1,467,768	-	1,467,768
CHANGE IN NET ASSETS	365,121	(580,854)	(215,733)
NET ASSETS			
Beginning of year	991,358	818,180	1,809,538
End of year	\$ 1,356,479	\$ 237,326	\$ 1,593,805

The accompanying notes to financial statements are an integral part of these statements.

URBAN ROOTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2023

	Supporting Services			Total
	Program Services	Management & General	Fund Raising	
EXPENSES				
Compensation	\$ 816,591	\$ 92,893	\$ 69,367	\$ 978,851
Employee benefits	88,720	13,879	10,061	112,660
Payroll taxes	61,813	7,011	5,463	74,287
Total personnel costs	<u>967,124</u>	<u>113,783</u>	<u>84,891</u>	<u>1,165,798</u>
Bad debt expense	-	-	5,646	5,646
Bank and merchant services	-	73	7,708	7,781
Campaign administration	-	-	135,000	135,000
Contract services	6,239	29,739	454	36,432
D&O insurance	5,977	-	-	5,977
Depreciation	16,815	-	-	16,815
Equipment rental and maintenance	5,190	230	-	5,420
Farm maintenance	4,626	-	-	4,626
Farm rental and market stall fees	158,190	-	-	158,190
Farm supplies	42,644	30	-	42,674
Farm utilities	11,840	-	-	11,840
Fundraising and event expenses	-	-	55,497	55,497
Donated nonfinancial assets	300	-	-	300
Interest expense	5,816	-	-	5,816
Occupancy	35,497	5,145	-	40,642
Office expenses	656	7,939	149	8,744
Other	19,545	877	-	20,422
Program evaluation	4,244	-	-	4,244
Property, auto, and casualty insurance	13,692	2,181	-	15,873
Property taxes	7,287	-	-	7,287
Telecommunications	3,501	-	-	3,501
Vehicle and transportation	12,972	-	-	12,972
Workers' compensation insurance	2,269	6,498	-	8,767
Youth stipends	35,879	-	-	35,879
Total expenses	<u>\$ 1,360,303</u>	<u>\$ 166,495</u>	<u>\$ 289,345</u>	<u>\$ 1,816,143</u>

The accompanying notes to financial statements are an integral part of these statements.

URBAN ROOTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2022

	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
EXPENSES				
Compensation	\$ 552,161	\$ 86,565	\$ 107,305	\$ 746,031
Employee benefits	75,208	4,195	4,139	83,542
Payroll taxes	45,039	6,029	7,857	58,925
Total personnel costs	<u>672,408</u>	<u>96,789</u>	<u>119,301</u>	<u>888,498</u>
Bad debt expense	-	-	37,004	37,004
Bank and merchant services	-	123	9,527	9,650
Campaign administration	10,400	-	15,600	26,000
Contract services	17,823	13,103	24,729	55,655
D&O insurance	-	1,370	-	1,370
Depreciation	14,421	877	877	16,175
Equipment rental and maintenance	5,504	-	-	5,504
Farm maintenance	8,985	-	-	8,985
Farm rental and market stall fees	166,277	-	-	166,277
Farm supplies	42,693	-	-	42,693
Farm utilities	12,417	-	-	12,417
Fundraising and event expenses	-	-	56,646	56,646
Donated nonfinancial assets	-	800	-	800
Interest expense	-	2,988	-	2,988
Occupancy	32,304	1,963	1,963	36,230
Office expenses	6,825	276	284	7,385
Other	5,345	988	8,516	14,849
Program evaluation	6,662	-	-	6,662
Property, auto, and casualty insurance	10,666	10,026	-	20,692
Property taxes	1,386	-	-	1,386
Telecommunications	3,797	43	43	3,883
Vehicle and transportation	9,931	38	38	10,007
Workers' compensation insurance	2,782	400	493	3,675
Youth stipends	32,337	-	-	32,337
Total expenses	<u>\$ 1,062,963</u>	<u>\$ 129,784</u>	<u>\$ 275,021</u>	<u>\$ 1,467,768</u>

The accompanying notes to financial statements are an integral part of these statements.

URBAN ROOTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets (decrease)	\$ 341,575	\$ (215,733)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities		
Depreciation	16,815	16,175
Bad debt expense	5,646	37,004
Loss on disposal of fixed assets	-	1,103
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	(244,232)	162,883
Other receivable	(215,598)	(229)
Security deposit	-	(150)
Accounts payable	17,584	(27,296)
Vacation accrual payable	-	(23,134)
Deferred revenues	(2,139)	(2,861)
	<u>(80,349)</u>	<u>(52,238)</u>
INVESTING ACTIVITIES		
Issuance of note receivable	(262,987)	-
Purchase of fixed assets	(163,755)	(487,602)
	<u>(426,742)</u>	<u>(487,602)</u>
FINANCING ACTIVITIES		
Payments on note payable	(6,299)	(3,069)
Proceeds from issuance of note payable	-	175,000
	<u>(6,299)</u>	<u>171,931</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(513,390)	(367,909)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,046,896</u>	<u>1,414,805</u>
End of year	<u>\$ 533,506</u>	<u>\$ 1,046,896</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid during the year for:		
Interest	<u>\$ 5,816</u>	<u>\$ 2,988</u>

The accompanying notes to financial statements are an integral part of these statements.

URBAN ROOTS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023 AND 2022

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The mission of Austin Youth & Community Farm, Inc. dba Urban Roots, is to work with youth leaders to grow fresh food and build a community dedicated to achieving food equity.

Urban Roots was incorporated November 30, 2011, under the laws of the State of Texas in accordance with the provisions of the Texas Non-profit Corporation Act.

Program Services

Urban Roots engages young people between the ages of 13 and 23 and our wider community on two urban farms to grow, harvest, and distribute healthy fresh produce in Austin, Texas. More than half of the produce grown is devoted to increasing food access through donation or reduced cost partnerships, and the rest is sold to wholesale and restaurant partners. Over the course of the year, Urban Roots harvested more than 30,000 pounds of produce and the young people in our programs participated in outreach projects on the farm and in the community. Young people leave their experience at Urban Roots with a sense of social responsibility, an understanding of the importance of access to healthy food for the community, powerful peer and mentor relationships, and the skills to meaningfully take on leadership roles in their communities long after their participation with Urban Roots ends. Community volunteers and Urban Roots neighbors leave inspired by the power of young people, passion for fresh, local food, and a deeper understanding of the barriers in our community for so many of us to access the food we need to live flourishing lives.

Community Programs

Food Access Produce Distribution

Weekly veggie shares are sold directly to Austin residents through a pay what you can model in neighborhoods facing obstacles to accessing fresh, nourishing food. Bulk produce is donated to hunger relief organizations for distribution through their food pantries & community kitchens.

Farm Volunteers

A dedicated group of community volunteers work on the farm each week, year round, to help bring in the harvest. This group helps with every aspect of production (planting, harvesting, crop maintenance), getting hands-on experience of farming in Central Texas, while supporting all of the youth and community programs at Urban Roots.

Youth Leadership Programs

Food & Leadership Fellowship (FLF)

Fellows ages 17-23 receive hands-on experience running a production farm and distributing produce to increase food access in Austin. During their 15 week season in the fall or spring, Fellows learn about inequality in our food system and directly make a difference through their work on the farm and in the community.

URBAN ROOTS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023 AND 2022

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Youth Leadership Programs - Continued

South Austin Internship (SAI)

The South Austin Internship is a unique & powerful leadership opportunity for high school age youth in South East Austin to shape the direction of Urban Roots' new farm site in Dove Springs. From October to May, the SAI youth lead the process to gather input and feedback from the Dove Springs community to help shape the Winnebago farm and any new programs that we may implement down the road.

Summer Farm Program (SFP)

Our original youth leadership program for high school youth to build relationships, learn about where food comes from, and build essential life skills while growing food for the community. Over 6 weeks in June and July, Interns work on the farm, volunteer at local food access organizations, cook with local chefs, and learn more about leadership and the food system, through workshops and trainings each afternoon.

Advanced Leadership Internship (ALI)

The Advanced Leadership Internship is an opportunity for alumni of the Summer Farm Program to continue their exploration of food equity and farming during their school year. Interns spend Saturdays on the farm, in the kitchen, or at the farmers' market September through April, leading volunteers, hosting community events, and practicing their leadership skills.

Educational Programs

Educational Farm Tours

Educational Tours provide opportunities for groups of students to learn about where food comes from. PreK through 12th grade students participate in age-appropriate activities related to sustainable farming and making healthy food choices, which include TEKS-aligned lessons related to health education, conservation, and plant reproduction. Students also taste the fruits and vegetables that are growing on the farm and may participate in light farm work to gain a hands-on understanding of sustainable farming.

Summary of Significant Accounting Policies

Accounting Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Method of Accounting: Urban Roots uses the accrual basis method of accounting. Using this method of accounting, revenue and support and related receivables are reported when funds are considered earned, regardless of when cash is received. Program service fees received in advance of being earned are reported as deferred revenue. Expenses and related accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed. Payroll costs incurred but not payable as of year-end are reported as accrued payroll. Cash disbursed before an obligation is incurred is reported as prepaid expenses.

URBAN ROOTS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023 AND 2022

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents: Cash and cash equivalents consist of cash in demand deposit accounts and certificates of deposit with original maturities of less than three months.

Support and Revenue: Urban Roots receives its support and revenue through contributions, grants, and major annual fund-raising event, Tour de Farm. Contributions and grants are recognized when the donor makes a promise to give to Urban Roots that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Urban Roots uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 requires contributions of donated noncash assets be recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Fixed Assets: Urban Roots' policy is to capitalize property and equipment over \$2,500 and expected useful live greater than 12 months, except for personal computers which are expensed. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over four to five years. Maintenance and repairs are charged to expense as incurred.

Net Assets Classes: Urban Roots reports the following net assets classes:

Net assets with donor restrictions: Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of an organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of an organization are reported as net assets with donor restrictions.

Net assets without donor restrictions: Resources not included in the above classes are considered net assets without donor restrictions. While these resources are reported as net assets without donor restrictions, an organization manages them in compliance with their exempt purposes, Board of Director designations, legal requirements, and contractual obligations.

URBAN ROOTS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023 AND 2022

**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - CONTINUED**

Summary of Significant Accounting Policies - Continued

Income Tax Status: Urban Roots is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The management of Urban Roots believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The tax returns for the years ended July 31, 2020, and after, are open to examination by federal and local authorities.

Functional Expenses: Expenses are categorized by function in the statement of activities as either program or supporting services. Supporting services are further categorized as management and general expenses and fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based on management's estimate of time and resources devoted to that function.

Newly Adopted Accounting Pronouncements - Effective August 1, 2022, Urban Roots adopted the new lease accounting guidance in FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Urban Roots has elected the package of practical expedients permitted in FASB ASC Topic 842. Accordingly, Urban Roots accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of July 31, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, Urban Roots recognized on August 1, 2022 (the beginning of the period of adoption) (a) lease liabilities of \$146,443, which represents the present value of the remaining lease payments, discounted using a risk-free interest rate of .99%, and (b) right-of-use assets of \$146,443. See Note 4.

Subsequent Events: Management of Urban Roots has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financials were available to be issued.

URBAN ROOTS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023 AND 2022

NOTE 2: AVAILABILITY AND LIQUIDITY

The following represents Urban Roots' financial assets at July 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 533,506	\$ 1,046,896
Pledges receivable, net (current portion)	162,274	62,764
Other receivables	<u>309,064</u>	<u>93,466</u>
Total financial assets	1,004,844	1,203,126
Less amounts not available to be used within one year:		
Net assets with donor restrictions, not related to on-going programs	<u>(368,222)</u>	<u>(237,326)</u>
Total amount not available to be used within one year	<u>(368,222)</u>	<u>(237,326)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 636,622</u>	<u>\$ 965,800</u>

Urban Roots receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Urban Roots manages its liquidity and reserves following these guiding principles: Urban Roots maintains adequate liquid assets to fund near-term operating needs, and maintains sufficient reserves to provide reasonable assurance that long-term obligations will be discharged; the organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses; Urban Roots has a policy to target a year-end balance of reserves of undesignated net assets without restrictions at 15 to 30 days of expected expenditures. Urban Roots also has a line of credit available, if needed.

To achieve these targets, the entity creates a yearly budget with periodic reviews, forecasts future cash flows, monitors its liquidity quarterly, and monitors its reserves annually. During the years ended July 31, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

NOTE 3: PLEDGES RECEIVABLE

Pledges receivable at year-end are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 167,513	\$ 100,684
Receivable in one to five years	159,675	20,599
Allowance for uncollectible pledges	<u>(5,239)</u>	<u>(37,920)</u>
Pledges receivable, net	<u>\$ 321,949</u>	<u>\$ 83,363</u>

The allowance for uncollectible pledges and the present value discount are considered accounting estimates. Due to the immaterial amount of discount calculated as of July 31, 2023 and 2022, no discounts to present value are reflected in the financial statements.

URBAN ROOTS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023 AND 2022

NOTE 4: COMMITMENTS – OPERATING LEASES

Urban Roots leases its office space from Austin Independent School District, under a non-cancellable operating lease at no cost with a twelve-month term which expires on June 30, 2024. This lease is renewable for a successive twelve-month term.

Urban Roots leases land for agricultural and teaching purposes under 1 lease. One lease is with the City of Austin for Winnebago farms, which is for payments of \$1,000 per month, expiring on July 31, 2035, and has an extension option for an additional 15 years.

Urban Roots also leases farm equipment on a short term, as needed basis.

Rental expense under operating leases for 2023 and 2022, was \$204,252 and \$208,011, respectively.

	2023
Operating lease cost:	
Amortization of right of use asset	\$ 10,608
Interest on lease obligation	1,392
Month-to-month lease expense	10,321
Contributed non-financial assets	181,931
Total operating lease cost	\$ 204,252
Current lease liability	\$ 10,714
Long - term lease liability	125,121
	\$ 135,835

Future minimum lease payments consisted of the following at:

Years Ending July 31:	
2024	\$ 16,400
2025	12,000
2026	12,000
2027	12,000
2028	12,000
Thereafter	84,000
	\$ 148,400

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

During 2023 and 2022, net assets of \$569,569 and \$756,499 respectively, were released from accompanying stipulations due to Urban Roots' actions or due to the passage of time and are considered net assets released from donor imposed restrictions. These funds are reported as transfers from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

URBAN ROOTS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023 AND 2022

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

At year end, Urban Roots had net assets with donor restrictions for the following purposes:

Funding Source	Amount		Restrictions Imposed by Funding
	2023	2022	
St. David's Foundation	\$ 6,059	\$ 26,832	SAI Program
Shield-Ayres	15,000	30,000	Time Restriction
Lola Wright Foundation	-	14,734	Farm supplies
USDA	34,975	115,870	Program expenses
Urban Roots Growth Campaign	312,188	49,890	
Total	\$ 368,222	\$ 237,326	

NOTE 6: CONTRIBUTED GOODS AND SERVICES

No amounts have been reflected in the financial statements for donated services. Urban Roots generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Urban Roots in its programs and fund-raising events. These services do not meet the criteria for recognition as contributed services in accordance with FASB ASC 958. Urban Roots received approximately 3,020 and 4,788 volunteer hours in 2023 and 2022, respectively.

Urban Roots receives various forms of contributed non-financial assets including donated rent and goods for special events. Contributed non-financial assets are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributed non-financial assets are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the good are contributed by the donor. Contributed non-financial assets are used for the program and fundraising purposes and are not resold. Contributed non-financial assets of goods that would have otherwise been purchased total \$191,894 and \$182,731 for 2023 and 2022, respectively, and were recorded in the statement of activities.

Urban Roots received the following non-cash donations of goods and services that have been reflected in the financial statements:

	2023	2022
Contributed goods		
Office facilities	\$ 35,831	\$ 36,631
Farm land	146,100	146,100
Special Events	9,963	-
Total	\$ 191,894	\$ 182,731

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NOTE 7: RELATED PARTY TRANSACTIONS

Certain members of the Board contributed \$14,199 and \$22,251 to Urban Roots during the years ended July 31, 2023 and 2022, respectively. At July 31, 2023 and 2022, there were pledges receivable from board members in the amount of \$4,565 and \$1,500, respectively.

NOTE 8: PAYCHECK PROTECTION PROGRAM

The COVID-19 outbreak and local stay-in-place orders have caused business disruptions throughout the local community. Management does not expect the situation to significantly impact the long-term viability of Urban Roots. Urban Roots applied for a Paycheck Protection Program (PPP) loan made available through the passing of the Cares Act and received \$130,000 in February 2021. Urban Roots has elected to account for the PPP loan as a conditional grant in accordance with FASB ASC Topic 958. As such, management believes they have spent the funds in accordance with the CARES Act and have recognized the entire amount as revenue. The loan was forgiven in full during the year ended July 31, 2022.

NOTE 9: CONCENTRATION RISKS

Cash balances with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage are considered an off-balance sheet credit risk. Urban Roots does not require collateral for any of its deposits. Urban Roots maintains its funds in high quality financial institutions which, at times, may exceed FDIC limits. Urban Roots monitors its financial positions with the institutions and does not anticipate any nonperformance by the institutions. As of July 31, 2023, there was \$287,115, in cash balances which were not covered by FDIC insurance.

During the year ended July 31, 2023, 2 donors comprised 74% of contributions receivable. During the year ended July 31, 2022, 3 donors comprised 46% of contributions receivable.

NOTE 10: NOTE PAYABLE

During 2022, Urban Roots issued a note payable with a lending institution in the amount of \$175,000. The note payable has a variable interest rate with a ceiling of 3.5% and requires monthly interest and principle payments until the note matures on January 15, 2027. Maturities of the note payable under the note agreement as of July 31, 2023, are:

<u>Years Ending July 31:</u>	
2024	\$ 6,519
2025	6,747
2026	6,983
2027	145,383
	145,383
	\$ 165,632

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NOTE 11: NOTE RECEIVABLE

On August 11, 2022, Urban Roots issued a note receivable to a company in the amount of \$250,000. The note receivable has a fixed interest rate of 5% and interest is paid or accrued quarterly until the note matures on August 11, 2027. The note receivable has a balance of \$262,987 as of July 31, 2023.