

**AUSTIN YOUTH & COMMUNITY FARM, INC.**  
**dba URBAN ROOTS**  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED JULY 31, 2024 AND 2023**

# 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, 2024 and 2023, 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, 2024 and 2023, 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  
February 12, 2025

**URBAN ROOTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 206,983	\$ 533,506
Pledges receivable, net	323,664	162,274
Other receivables	93,310	309,064
Prepaid expenses	2,000	2,000
Total current assets	625,957	1,006,844
Property and equipment		
Land and land improvements	758,001	633,813
Vehicles	83,819	83,819
Farm equipment	67,396	67,396
Furniture and equipment	3,000	3,000
Leasehold improvements	47,855	47,855
Less accumulated depreciation	(139,369)	(123,775)
Net fixed assets	820,702	712,108
Other assets		
Pledges receivable, net, long-term portion	40,000	159,675
Right of use assets	125,121	135,835
Note receivable	280,552	262,987
Security deposit	300	300
<b>Total assets</b>	<b>\$ 1,892,632</b>	<b>\$ 2,277,749</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 36,656	\$ 40,902
Lease liability, current	10,820	10,714
Total current liabilities	47,476	51,616
Lease liability, long-term portion	114,301	125,121
Note payable	159,113	165,632
Total liabilities	320,890	342,369
Net assets		
Net assets without donor restrictions	1,531,742	1,567,158
Net assets with donor restrictions	40,000	368,222
Total net assets	1,571,742	1,935,380
<b>Total liabilities and net assets</b>	<b>\$ 1,892,632</b>	<b>\$ 2,277,749</b>

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

**URBAN ROOTS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 196,349	\$ -	\$ 196,349
Grants	872,448	65,000	937,448
Special events	149,631	-	149,631
Program related sales	6,576	-	6,576
Other revenue	30,564	-	30,564
Contributed goods and services	178,980	-	178,980
Investment return, net	-	-	-
Net assets released from donor imposed restrictions	393,222	(393,222)	-
<b>Total revenues and other support</b>	<u>1,827,770</u>	<u>(328,222)</u>	<u>1,499,548</u>
<b>EXPENSES</b>			
Program services	1,446,948	-	1,446,948
Supporting services			
Management and general	152,143	-	152,143
Fundraising	264,095	-	264,095
<b>Total expenses</b>	<u>1,863,186</u>	<u>-</u>	<u>1,863,186</u>
<b>CHANGE IN NET ASSETS</b>	(35,416)	(328,222)	(363,638)
<b>NET ASSETS</b>			
Beginning of year	<u>1,567,158</u>	<u>368,222</u>	<u>1,935,380</u>
<b>End of year</b>	<u>\$ 1,531,742</u>	<u>\$ 40,000</u>	<u>\$ 1,571,742</u>

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
<b>REVENUES AND OTHER SUPPORT</b>			
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)	-
<b>Total revenues and other support</b>	<b>2,026,822</b>	<b>130,896</b>	<b>2,157,718</b>
<b>EXPENSES</b>			
Program services	1,360,303	-	1,360,303
Supporting services			
Management and general	166,495	-	166,495
Fundraising	289,345	-	289,345
<b>Total expenses</b>	<b>1,816,143</b>	<b>-</b>	<b>1,816,143</b>
<b>CHANGE IN NET ASSETS</b>	<b>210,679</b>	<b>130,896</b>	<b>341,575</b>
<b>NET ASSETS</b>			
Beginning of year	1,356,479	237,326	1,593,805
<b>End of year</b>	<b>\$ 1,567,158</b>	<b>\$ 368,222</b>	<b>\$ 1,935,380</b>

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

**URBAN ROOTS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JULY 31, 2024**

	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
<b>EXPENSES</b>				
Compensation	\$ 850,114	\$ 70,508	\$ 108,337	\$ 1,028,959
Employee benefits	75,247	9,028	12,374	96,649
Payroll taxes	69,524	3,377	6,622	79,523
Total personnel costs	994,885	82,913	127,333	1,205,131
Bad debt expense	-	5,816	1,667	7,483
Bank and merchant services	-	417	4,826	5,243
Campaign administration	-	-	36,000	36,000
Contract services	52,441	41,599	46,187	140,227
D&O insurance	4,144	1,523	-	5,667
Depreciation	15,594	-	-	15,594
Equipment rental and maintenance	5,890	-	-	5,890
Farm maintenance	909	1,858	-	2,767
Farm rental and market stall fees	156,100	-	-	156,100
Farm supplies	55,333	-	-	55,333
Farm utilities	10,803	-	-	10,803
Fundraising and event expenses	138	322	35,482	35,942
Donated nonfinancial assets	860	-	-	860
Interest expense	5,596	-	-	5,596
Occupancy	31,421	4,008	-	35,429
Office expenses	2,040	7,721	153	9,914
Other	19,948	3,382	11,770	35,100
Program evaluation	5,482	120	-	5,602
Property, auto, and casualty insurance	25,105	-	-	25,105
Property taxes	-	1,665	-	1,665
Telecommunications	2,961	235	-	3,196
Vehicle and transportation	16,303	123	-	16,426
Workers' compensation insurance	4,034	441	677	5,152
Youth stipends	36,961	-	-	36,961
Total expenses	\$ 1,446,948	\$ 152,143	\$ 264,095	\$ 1,863,186

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

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

	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
<b>EXPENSES</b>				
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	967,124	113,783	84,891	1,165,798
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	\$ 1,360,303	\$ 166,495	\$ 289,345	\$ 1,816,143

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

**URBAN ROOTS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JULY 31, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets (decrease)	\$ (363,638)	\$ 341,575
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities		
Depreciation	15,594	16,815
Bad debt expense	7,483	5,646
Accrued interest on note receivable	(17,565)	(12,987)
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	(49,198)	(244,232)
Other receivable	215,754	(215,598)
Accounts payable	(4,246)	17,584
Deferred revenues	-	(2,139)
	<u>(195,816)</u>	<u>(93,336)</u>
<b>INVESTING ACTIVITIES</b>		
Issuance of note receivable	-	(250,000)
Purchase of fixed assets	(124,188)	(163,755)
	<u>(124,188)</u>	<u>(413,755)</u>
<b>FINANCING ACTIVITIES</b>		
Payments on note payable	(6,519)	(6,299)
	<u>(6,519)</u>	<u>(6,299)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(326,523)</b>	<b>(513,390)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	533,506	1,046,896
<b>End of year</b>	<b>\$ 206,983</b>	<b>\$ 533,506</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Cash paid during the year for:		
Interest	\$ 5,596	\$ 5,816

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

**URBAN ROOTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2024 AND 2023**

**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, 2024 AND 2023**

**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, 2024 AND 2023**

**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, 2024 AND 2023**

**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, 2021, 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.

**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.

**NOTE 2: AVAILABILITY AND LIQUIDITY**

The following represents Urban Roots' financial assets at July 31, 2024 and 2023:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 206,983	\$ 533,506
Pledges receivable, net (current portion)	323,664	162,274
Other receivables	93,310	309,064
Total financial assets	623,957	1,004,844
Less amounts not available to be used within one year:		
Net assets with donor restrictions, not related to on-going programs	(40,000)	(368,222)
Total amount not available to be used within one year	(40,000)	(368,222)
Financial assets available to meet cash needs for general expenditures within one year	\$ 583,957	\$ 636,622

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**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2024 AND 2023**

**NOTE 2: AVAILABILITY AND LIQUIDITY - CONTINUED**

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, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

**NOTE 3: PLEDGES RECEIVABLE**

Pledges receivable at year-end are as follows:

	2024	2023
Receivable in less than one year	\$ 328,903	\$ 167,513
Receivable in one to five years	40,000	159,675
Allowance for uncollectible pledges	(5,239)	(5,239)
Pledges receivable, net	\$ 363,664	\$ 321,949

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, 2024 and 2023, no discounts to present value are reflected in the financial statements.

**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, 2025. 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 2024 and 2023, was \$197,419 and \$204,252, respectively.

**URBAN ROOTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2024 AND 2023**

**NOTE 4: COMMITMENTS – OPERATING LEASES - CONTINUED**

	2024	2023
Operating lease cost:		
Amortization of right of use asset	\$ 10,715	\$ 10,608
Month-to-month lease expense	9,573	11,713
Contributed non-financial assets	177,131	181,931
Total operating lease cost	\$ 197,419	\$ 204,252
Current lease liability	\$ 10,820	\$ 10,714
Long - term lease liability	114,301	125,121
	\$ 125,121	\$ 135,835
	2024	2023
Weighted average discount rate	0.98%	0.98%

Future minimum lease payments consisted of the following at:

Years Ending July 31:	
2025	\$ 44,845
2026	12,000
2027	12,000
2028	12,000
2029	12,000
Thereafter	72,000
	\$ 164,845

**NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS**

During 2024 and 2023, net assets of \$393,222 and \$569,569 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.

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

Funding Source	Amount		Restrictions Imposed by Funding
	2024	2023	
Rivian Foundation	\$ 40,000	\$ -	South Farm Program
Shield-Ayres	-	15,000	Time Restriction
St. David's Foundation	-	6,059	SAI Program
Urban Roots Growth Campaign	-	312,188	Campaign expenses
USDA	-	34,975	Program expenses
Total	\$ 40,000	\$ 368,222	

**URBAN ROOTS**  
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**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 2,255 and 3,020 volunteer hours in 2024 and 2023, 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 \$178,980 and \$191,894 for 2024 and 2023, 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:

	2024	2023
Contributed goods		
Office facilities	\$ 31,020	\$ 35,831
Farm land	146,100	146,100
Special Events	1,860	9,963
Total	\$ 178,980	\$ 191,894

**NOTE 7: RELATED PARTY TRANSACTIONS**

Certain members of the Board contributed \$20,607 and \$14,199 to Urban Roots during the years ended July 31, 2024 and 2023, respectively. At July 31, 2024 and 2023, there were pledges receivable from board members in the amount of \$1,469 and \$4,565, respectively.

**NOTE 8: 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, 2024, all cash balances were covered by FDIC insurance.

During the year ended July 31, 2024, 3 donors comprised 74% of contributions receivable. During the year ended July 31, 2023, 2 donors comprised 74% of pledges receivable.

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**NOTE 9: 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% 93.5% at July 31, 2024) 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, 2024, are:

<u>Years Ending July 31:</u>	
2025	\$ 6,747
2026	6,983
2027	145,383
	<u>\$ 159,113</u>

**NOTE 10: 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 \$250,000 with accrued interest of \$30,552 as of July 31, 2024. The note receivable has a balance of \$250,000 with accrued interest of \$12,987 as of July 31, 2023.